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**A TEACHER'S GUIDE TO ECONOMICS IN THE BUSINESS EDUCATION CURRICULUM.**

**BY- OLSON, MILTON C. AND OTHERS**

**JOINT COUNCIL ON ECONOMIC EDUCATION, NEW YORK, N.Y.**

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**PARTICIPANTS IN A NATIONAL WORKSHOP ON ECONOMICS FOR BUSINESS EDUCATION TEACHERS IN 1960, SPONSORED BY THE JOINT COUNCIL ON ECONOMIC EDUCATION AND THE NATIONAL BUSINESS EDUCATION ASSOCIATION, PREPARED THIS GUIDE FOR BUSINESS EDUCATION TEACHERS JUST BECOMING INTERESTED IN ECONOMIC EDUCATION AS WELL AS THOSE TRYING TO ACHIEVE DEPTH IN THE MORE ADVANCED COURSES. THE FIRST SECTION DEALS WITH THE CHALLENGE OF ECONOMIC EDUCATION TO BUSINESS EDUCATION--(1) THE BUSINESS TEACHER AND ECONOMIC EDUCATION, (2) WHAT IS ECONOMIC EDUCATION, (3) THE TEACHING PROBLEM AND APPROACHES IN BUSINESS EDUCATION, AND (4) THE BUSINESS TEACHER'S ROLE OUTSIDE THE CLASSROOM IN THE ECONOMIC EDUCATION PROGRAM. THE SECOND SECTION DEALS WITH THE OPPORTUNITIES FOR TEACHING ECONOMICS IN BUSINESS EDUCATION COURSES--(1) GENERAL BUSINESS, (2) CONSUMER ECONOMIC PROBLEMS, (3) BUSINESS LAW, (4) ADVANCED GENERAL BUSINESS, (5) BOOKKEEPING, AND (6) TYPEWRITING. THE SUGGESTED CONTENT TO BE TAUGHT AND VARIOUS METHODS AND TECHNIQUES FOR TEACHING ECONOMICS IN BUSINESS EDUCATION ARE DISCUSSED. AN ANNOTATED BIBLIOGRAPHY OF PAMPHLETS AND BOOKS FOR CLASSROOM USE IS INCLUDED. THIS DOCUMENT IS AVAILABLE FOR \$1.25 FROM JOINT COUNCIL ON ECONOMIC EDUCATION, 1212 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10036. (PS)**

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**Joint Council on Economic Education  
and  
National Business Education Association**

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## FOREWORD

Teachers and professors of business education, keenly aware of the need for improving economic education among the students of business education in our high schools, long have sought ways to remedy the deficiencies in the traditional offerings. To help them develop the necessary guidelines for curriculum change in this important area, the Joint Council on Economic Education, in cooperation with the National Business Education Association (N.B.E.A.), held a National Workshop on Economics for Business Education Teachers in 1960.

To report the results of the work done by the participants in that national project—classroom experimentation, pilot studies, materials testing—this *Teachers Guide to Economics in the Business Education Curriculum* has been prepared.

We believe that the Guide will be useful to all business education teachers: those who are just now becoming interested in economic education as well as those who are trying to achieve depth in the more advanced courses.

We should like to express our appreciation to the Young Presidents' Organization for its financial support and the personal support of many of its members. Without their help, through the Young Presidents' Foundation, the National Workshop and this publication would not have been possible. The assistance which members of the Y.P.O. have been giving to members of the business education profession all over the country has been a great stimulus and a rewarding experience to the educators.

M. L. Frankel, Director

Joint Council on Economic Education

Hollis Guy, Executive Secretary

National Business Education Association

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# **PART I**

## **THE CHALLENGE OF ECONOMIC EDUCATION TO BUSINESS EDUCATION**

### **CHAPTER 1\***

#### ***The Business Teacher and Economic Education***

##### ***Introduction***

If the American "free-enterprise system" is to survive, it is essential that people—especially young people, in whose hands the future already is being molded—should be prepared to act intelligently when faced with the broad issues that arise daily in the realm of business and economics.

The responsibility for preparing these young people for intelligent action rests fundamentally upon American teachers, but unfortunately this responsibility is not being met. Since the study of economics is closely related to business education, and since many business teachers already have the necessary preparation and ability to teach economic principles and concepts effectively, the onus for this teaching must fall in large part on them. The subject matter of most of the business courses now being taught lends itself well to the teaching of economic principles and concepts, as well as to the development of critical thinking and sound judgments on matters involving business and economics.

##### ***Economic Education Is Vitally Important***

Business educators, more than any other group of teachers, have reasons to be vitally concerned about the economic literacy of their students. If the young business employee is to fill his niche properly in a business office or store, he must know something more than how to type a letter, record a transaction, operate an office machine, or wait on a customer. He must know something about the business organization of which he is a part and about the economic system in which the business, its customers, his employer, his fellow workers, and he himself are significant elements. Man, being both a human and a societal being, is much more than just a cog in the economic system. He cannot be satisfied with only a routine exercise of his acquired skills, or with a bare performance of his assigned tasks. It is important that he understand as much as possible about the whole complex of economic resources, institutions, and aspirations by which the wants of mankind are satisfied. It is essential that he know something about the economic environment in which he is to work and live. In

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\*This chapter was prepared by Milton C. Olson, Director of Business Education, State University of New York at Albany.



an area of life where many opposing voices are heard, as in the area of economic problems, it is important that he be able to think intelligently about economic problems, both on the personal and societal levels. To do this, he must be able to distinguish fact from opinion, principle from illustration, and scientific analysis from unreasoned prejudice.

For years students have been required to take courses in the physical and biological sciences so that they will know something about the physical environment in which they live. They have had courses in English so that they can communicate effectively within that environment, both orally and in writing. They have studied history, particularly American history, so that they might gain an insight into the political and social foundations of our country and so that they might appreciate their heritage of freedom and justice, both with responsibilities. But this is not enough. For all students to an important degree, and particularly for business students whose future judgments and actions as businessmen may have especially heavy impact on the economic world, it is becoming more and more necessary that they understand the nature of their business economic environment and that they be prepared to act effectively within that broad field of operation.

#### *Economics Is Not Being Adequately Taught*

The job of economic education is not being done effectively and consistently. Commerce Secretary Luther Hodges, writing in the March 10, 1962, issue of *The Saturday Evening Post*, minced no words in pointing this up. "No more than 10 to 15 per cent of today's high school students—tomorrow's citizens and voters—will ever take a separate course in economics, either in high school or in college. Of the fifty states, only sixteen require an elementary course in economics to qualify for teaching high-school social studies—the area where most students get their economics." Although the requirement of a particular course may not be the answer to getting young people to be able to think intelligently about business economic matters, the lack of preparation of teachers in the area of economics is largely responsible for inadequate learning about business economic matters in the general field of social studies. As further evidence of our economic illiteracy, Secretary Hodges points out that "Surveys by the Opinion Research Corporation among college-caliber high school graduates show that only one fourth realize that the surest way to raise the standard of living is to produce more goods per man-hour. Many think you can push up [economic] standards simply by raising wages or increasing Government spending." How can voters make intelligent choices in political elections where many of the most important issues are economic in nature, and in everyday economic choices, if they have received little or no education in economic matters?

It should be of serious concern to the business teacher that over 17,000 businesses failed in 1961. Many of these failures might have been avoided had the enterprisers and their employees understood more about simple business economics. In addition, evidence obvious to any careful observer

shows that much unhappiness comes to young married couples—and older ones as well—simply because of poor money management—their failure to budget sensibly and to live within their means.

These couples may be very intelligent; but even then something more is needed. A person can act intelligently only within his area of competence and understanding. The research scientist, for example, may be eminently successful in his chosen field but almost illiterate in handling financial matters. There can be little doubt, as surveys repeatedly show, that understanding of the simple economic facts of life—how our private economy operates with the emphasis on individual responsibility—is almost totally lacking among many otherwise intelligent people.

#### *Economic Education Is A Natural Part of Business Education*

Business teachers should be concerned about economic education also because knowledge of the economic aspects of living is vitally related to any well-rounded preparation for competency in business skills and practices. Programs in business education prepare pupils for jobs, a most important function. Skills in typewriting, shorthand, arithmetic, bookkeeping, and selling are all part of this program. At the same time, it is important to build an understanding of our business-economic system and of the reasons why these skills are needed for holding jobs and obtaining promotions based on increased ability and improved experience. But there are even broader aspects to business education that must receive serious attention. It is essential that workers understand the socio-political and economic systems in which they work so that as voters and citizens they can preserve the strengths and correct the weaknesses of those systems. Responsible citizens need to be able to recognize any weaknesses of the system and to help remedy the deficiencies by intelligent action at the polls and elsewhere. The dynamics of a free society require constant re-interpretation and analysis in terms of the fundamental institutions and philosophies of that society, else some of the essential elements, such as personal freedom, may eventually be lost. It is this broad phase of business education that is important to all students, whether they are to work in business occupations or not. Intelligent voters, perceptive consumers of the products and services of business, industry, and the professions, and wise managers of personal incomes are needed to make our free-enterprise system continue to operate effectively. All of these objectives are closely related to business education although no claim is made that education for business skills alone can or should do the complete job.

#### *Business Teachers Are Prepared to Teach Economic Education*

A fourth reason why the business teacher should be concerned about the economic education of students is that he has the background of training and experience to do something about the problem. A recent study of the preparation of business teachers for teaching economic understandings indicates that, at least in Wisconsin and Minnesota, the business teachers have had about 50 percent more undergraduate prepa-

ration in economics than the social studies teachers in those same states.\* The report on the study asserts that "it is generally conceded that high school business teachers are somewhat better prepared to handle economic education than social studies teachers."\*\* Although he may feel inadequate, in some schools he may well be the person best equipped to teach specific economic understandings and concepts. This does not absolve other teachers from doing their share, but it does place increased responsibility upon the business teacher.

A properly prepared business teacher has studied in the areas of the natural sciences, the humanities, the behavioral sciences, and the social sciences. He has studied economic theory as well as the applied economics of business. He has had an introduction to the field of finance and has learned about various phases of the marketing process as they operate in our economic system. In many cases he has had work experience in a business establishment. His background in business education has prepared him to understand and appreciate his responsibilities as a citizen and as a consumer in situations that confront all people.

#### *The Subject Matter of Business Is Economic In Nature*

The establishment of an economics course required for all high school students would be helpful in achieving some of the objectives of economic education, but it would not be the final and complete answer to all problems of developing economic competencies and understandings. A properly prepared business teacher, in addition to being able to accomplish much in such a course, will also be able to extend his teaching of economic principles and concepts into many of the more commonly offered business courses. These courses include general business offered either at the freshman-sophomore level or later at the senior level; also bookkeeping, business law, business management, and secretarial or office practice.

Studying about banking services and developing skills in using some of these services is a part of many, if not most, general business courses. Here the business teacher has an excellent opportunity to go beyond merely teaching students how to write checks or reconcile bank statements. The role of our banking system in our free enterprise system and the governmental regulations that have been adopted to insure that this system works effectively can be taught quite naturally and appropriately in the general business course.

Bookkeeping provides numerous opportunities for teaching economic concepts. The concept of private ownership, for example, is illustrated clearly and concisely by the fundamental bookkeeping equation—assets equal liabilities plus proprietorship. The equation indicates to the discerning student and teacher that assets must be owned if they are to have money value and that liabilities are deductions in determining net worth. The nature of that ownership in our economic system can then be discussed. To be sure, the teacher will have to present the concept from this

\*"Business Teacher Preparation for Teaching Economic Understandings" by Ray G. Price and Russell J. Hosler, *Business Education Forum*, May 1962, pp. 23 ff.

\*\*Ibid, p. 24.



point of view or the equation may become something to be memorized and not much more. After the students have learned about the income statement for a business, it should be easy to move on to national income accounting and point out how gross national product compares with the income from sales, and how the operating expenses of a business compare with the expenses of producing the GNP. The flow of goods and services in our economic organization among consumers, businesses, banks, and governmental units can also be illustrated in understandable terms within the framework of a bookkeeping course.

When studying business law, the student can learn that the nature of our economic system with its emphasis on the profit motive has led to the adoption of many types of laws and regulations for the protection of individuals. Minimum wage laws, child-labor regulations, and the development of the social security system can be used as illustrations. Even more fundamentally, laws dealing with the ownership of real and personal property and our basic laws dealing with the nature of contracts have purposes rooted deeply in the nature of our economic structure and philosophy.

Even in courses such as office or secretarial practice, it is possible to deal with fundamental economic concepts effectively. The need for an economic use of labor and other resources in a business office can, and should be, stressed in showing the need for economy in meeting effectively the ever-present challenge of competition in our free enterprise system. In a sense, the whole course deals with the development of efficient workers without which it will be difficult for the employers to be successful in their business operations.

At this point it may be well to emphasize that "it is far more important for students to learn to think about economic situations objectively and rationally for themselves than to learn masses of institutional details, or memorize lists of unused economic concepts." \*

Business teachers must recognize the importance of economic education in the context of their own areas of teaching. Whether they do so may become a matter of survival of those who cherish the American way of life. Teachers should realize also that, to date, many high school students are not being taught to think thoroughly and rationally in the field of economics. Since economic education is closely related to business education, business teachers should be willing to do their share of the job, particularly because they are often better prepared than other types of teachers to deal with economic education problems, in spite of their feelings of inadequacy in this complex area of study. In so doing, the teachers will find that business courses already being taught may well serve as springboards into the expanded area of thinking about economic matters. This will not eliminate the need for courses in economics, nor will it free teachers of other subjects from their responsibilities, but it will do much to improve the situation.

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\**Economic Education in the Schools, Report of the National Task Force on Economic Education*, New York: Committee for Economic Development, 1961, p. 72.

## CHAPTER 2\*

### *What Is Economic Education?*

#### *Introduction*

Although economics may be regarded as a separate and definite area of knowledge in the social sciences, opportunities for developing economic understandings exist to a greater or lesser degree in all grade levels and in many subject-matter fields. The extent to which teachers capitalize on these opportunities, however, depends on their awareness of them; and awareness presupposes a knowledge of the problem of economic education. This is as true for business teachers as it is for teachers in other fields.

Most of the confusion about economic education revolves around the question of what is the objective that should be pursued. Because of the lack of a clear objective, much has been written on the subject of what economic education is not. Accordingly, economic education is often said to be not facts, not description, not history, not theory, and not lists of concepts. These observations, however, leave the question in a sort of vacuum that tends to discourage constructive thinking.

What, then, may we say is the objective of economic education? If we say, as we may, that the ultimate objective is rational decision-making with reference to economic problems, what are the needs for achieving it? The first need for making reasoned judgments, of whatever sort, is an adequate background of factual information. This background for economic decision-making will have to include a knowledge of many of the facts of economic history and an understanding of how certain tools of economic analysis are used. Some of the facts that students need to know pertain to: the kinds, quantities, and uses of the economic resources we have as a nation, the ways by which goods and services are produced and exchanged, the ways in which our economy has changed over the years, and some of the reasons for those changes. Further, unless students grasp certain concepts, such as the necessity of choosing among alternatives and the need for both economic growth and economic stability, and unless they understand such economic principles as supply and demand interactions, diminishing returns, and comparative costs, they probably will not really understand the functioning of our economic system.

It is easy to see that facts, description, history, concepts, and theory are not themselves objectives of economic education; they simply facilitate attainment of the objective by providing students with the necessary framework and analytical devices for reasoning wisely about economic problems. This distinction is important because when teachers mistake the means for the end, economic education falls short of its goal.

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\*This chapter was prepared by Ray G. Price, Professor of Business Education, University of Minnesota at Minneapolis, Minnesota.



### *What Background Is Needed for Economic Understanding?*

Of all the publications dealing with economic education, none has created a stir to equal that of the *Report of the National Task Force on Economic Education*.<sup>1</sup> The central purpose of this report was to describe the minimal economic understanding that is needed for effective citizenship and is attainable by high school students. Topics recommended for study were organized around the three key economic questions: (1) How shall the economy use its productive resources to supply the wants of its people—to get what goods and services and by what means? (2) How fast shall the economy grow, and how shall it achieve reasonably stable growth? (3) How shall the economy distribute money incomes, and through them the goods and services it produces, to the individual members and groups in society? Following, in condensed form, are some of the recommendations:

(1) Students should know how resources are allocated in a basically private enterprise economy—that it is largely consumer demand that determines what is produced. They should become aware of the interaction of supply and demand forces, and how markets and prices function in a competitive system. Concepts deserving special attention are labor productivity; saving, investment, and capital formation; economic efficiency; and the principle of diminishing returns. Students need to understand the role and meaning of profits, competition, and freedom and how these concepts are interrelated. They ought to know how and why our governments make some of the decisions regarding resource use. Further, to the extent that students are capable, they should acquire an understanding of international economic relations, including world trade, foreign investment, balance of payments, and aid to other nations.

(2) Students should learn why growth and stability are important economic objectives. They should become familiar with such statistical measures of aggregate economic activity as *Gross National Product* and *National Income*. They should develop an awareness of how production and income depend on total spending (consumer, business, and government) as well as on the quality and quantity of economic resources; how government policies affect stability; and how important a role money and banks play in our economy.

(3) Students need to learn that high wages are the result of high productivity; that although inequalities in personal incomes exist in all societies, there has been a narrowing of the income gap in the United States as the result of progressive income taxes, strong labor unions, and our concern as a people for low income groups. A study of income distribution provides an opportunity to examine labor unions and practices, the "farm problem," and federal and state governmental actions to increase economic security.

(4) Students should compare our type of economic system with other

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<sup>1</sup> *Economic Education in the Schools, Report of the National Task Force on Economic Education*, New York: Committee for Economic Development, 1961.

types—notably communism and socialism—on the basis of the actual performances of those systems. This is an effective way for them to learn that no economy can actually be purely private enterprise, socialist, or communist. Most are considerably mixed, including our own.

Teachers who fear to expose their students to controversial issues would do well to remember that ignorance of such matters is more dangerous than knowledge. Since no economic organization is perfect, it is ridiculous to pretend that ours is. Students cannot be persuaded to appreciate private enterprise simply by being told that it is good for them—like cod liver oil, sunshine, or fresh air. They learn to appreciate it by knowing not only what it has done and can do, but also what it cannot wisely or even possibly do. Part of economic understanding is to recognize that a nation's economic system reflects the values of its people—the system tends to produce the things considered important by its people.

In spite of its seeming magnitude, the coverage outlined above is not intended to be presented below in much detail. For example, in the area of taxation, it is enough for students to learn the most important kinds of taxes in use today, their nature (progressive, regressive, or proportional), how their burdens are probably distributed, and their long-run effects. They do not need to make a minute analysis of all the implications of each tax. By the same token, students can understand how a corporation is organized and financed without knowing in detail all the variations of the several forms of corporate securities. The big ideas and their main implications, sufficiently stressed, will provide yardsticks against which the merits of alternative solutions to economic problems may be measured.

#### *Vocabulary Is Important*

It is difficult to think rationally or talk intelligently about any subject without some knowledge of the language peculiar to that subject. An excellent guide to vocabulary study in economic education would be a listing of the economic terms that are commonly used by the press. In other words, students should at least master such commonly used terms as economic growth, productivity, inflation, recession, capital depreciation, technological unemployment, GNP, etc.

The incidence of faulty interpretation of economic phenomena can be reduced if students learn early that words used in an economic sense may mean something different than when used in an ordinary or business sense. In ordinary usage, for example, *investment* may refer to the purchase of stocks, bonds, or a mortgage. In economics, *investment* is generally used in a special sense—largely synonymous with *capital formation*. It occurs even in its broadest sense when, and only when, a building, machine, tool, or other (usually man-made) means of production is acquired or produced. Likewise, in economics, the term *land* as a factor of production is broadly held to include all natural resources, not just the earth's surface; and *value* means power in exchange, not just usefulness. Failure to comprehend these differences in definition leads to confusion.

Terms that are somewhat similar in sound and appearance yet different in meaning provide another important vocabulary lesson in economic

education. For example, students must learn to distinguish between such look-alikes as *balance of trade* and *balance of payments*; *tax base* and *tax rate*; *economic growth* and *economic development*; *demand* and *quantity demanded*; *diminishing returns* and *diminishing utility*.

### ***Students Must Practice Solving Problems***

Understanding implies the ability to use what has been learned. It is only through practice in analyzing economic problems that students develop this ability.

Practice in analysis involves, first of all, defining the problem and gathering and classifying the pertinent facts.

Second, it involves examining goals or values from the standpoint of their relative importance. In this connection it helps immeasurably if students realize that economic problems usually result from conflicts among our individual or group goals or objectives and even among our generally accepted goals and values. As a case in point, dictators of centrally controlled economies claim that economic stability is not much of a problem for them; but it is certainly a problem under free-enterprise. What makes the problem a particularly acute one where economic stability is considered a worthwhile goal is that measures to maintain it conflict with the goal of economic freedom on which we may place an even higher value. Since the depression 30's, however, we have relied more and more on government action to maintain stability by measures that tend to restrict individual liberties. The problem is how far can we go in this direction and yet preserve the continuity of private enterprise and personal freedom. Since the need for some compromise is obvious, the question is: Just what are the relative values we want to place on more or less stability compared with more or less freedom?

This brings us to the third step in analyzing economic problems: the giving of full consideration to the available alternative choices of solution. It is at this point that the problem becomes an issue. The issue may be, as in the case above, how much freedom are we willing to exchange for how much stability, or vice versa? Or whether we want more national defense, more foreign aid, and more education, with an increase in the public debt, or less of those things and a smaller public debt? Or whether we want "easier" money with the danger of inflation or "tighter" money with the danger of recession?

Fourth and last, the student must learn to weigh the consequences of each possible course of action and then make his own decision. This is a crucial point. Although the teacher may help to define the problem and identify the issue or issues, he should leave the student to search out his own answer. In other words, the teacher's task is not to promote a point of view but to encourage well-rounded inquiry—not to teach students *what* to think but *how*.

Indeed, students ought to learn early that since there is no "one and only" solution to any big economic problem, not all members of a class should be expected to reach the same conclusion. Should that happen, the teacher would do well to re-examine his motives and methods. Differ-



ences of opinion not only are natural but are also indicative of varied and vigorous thinking.

This is an over-simplification of the reasoned approach to economic problems, to be sure; but it is intended only to illustrate that if students are to develop economic understanding, they must do more than memorize and recite—they must reason and ponder.

Many teachers steer clear of problem solving because it does involve controversy and controversy invariably generates emotion. It is next to impossible to avoid letting personal prejudices, attitudes, and ideals sway our decisions. If these teachers could simply realize that a total absence of feeling signifies indifference or apathy, they would welcome some evidence of emotion as a good sign—as a sign of interest and concern. Success with the problem-solving procedure depends both on the skill of the teacher and the maturity and experience of the students. In a beforehand briefing of students, the teacher might well stress as a fundamental point the possible influence of emotion on judgment and the need for differentiating between fact and opinion, so that conclusions will be as well-founded as possible in rational reasoning.

#### *What About Personal Economic Education?*

In a recent carefully prepared document,<sup>2</sup> business teachers have gone on record as recommending that management of personal economic affairs be among the topics covered in economic education. There are persons outside business education, however, who oppose this recommendation on the grounds that personal finance or consumer education is not strictly economic education. What they mean is that it is not economics in the broad social sense, because economics generally is not concerned with managing a business, spending personal income wisely, or investing in corporate securities. Nevertheless, individuals come into contact with the economic world not only as citizen-voters but also as wage earners, savers, investors, producers, and consumers. Whatever education contributes to competence in these activities is certainly a kind of economic education.

Whether personal economics or consumer education is economics or even economic education, however, is really beside the point. The more definitely a subject is related to the student's needs and environment, the more eager he will be to learn, and consumer education teems with opportunities for youngsters to see how they personally relate to the economic world.

To quote from a recent article by Henry C. Wallich, Professor of Economics at Yale University,<sup>3</sup> "The economic problems that, on the whole, are simplest to explain are those directly related to the personal affairs and

<sup>2</sup> *A Proposal for Business-Economic Education for American Secondary Schools*, Policies Commission for Business and Economic Education, 1201 Sixteenth Street, N.W., Washington 6, D.C., 1961. education.

<sup>3</sup> "Economics Needs More Audience Appeal," *Challenge Magazine*, March, 1962, p. 14 ff.

experience of the listeners. . . . It is quite remarkable how many of the abstractions of aggregative economics have their counterpart in the affairs of the family or the corner grocers. . . . The hardest economic ideas to comprehend are those which cannot accurately be compared to personal experience."

### *Conclusion*

The goal of economic education is not, of course, to make every student a professional economist but to help all students understand our economic system, its operation, its problems, and its possibilities. Because ours is a dynamic economy, new problems and new areas of economic interest are constantly arising making necessary some changes in the basic topics to be studied. Also because ours is a dynamic economy, what may be an adequate answer to any given problem today may not be an adequate answer tomorrow. One of the important aspects of a student's economic education, therefore, should be to learn that while the techniques of problem solving may remain the same, no solution can be considered final. Even more important is the need for open, inquiring minds not only in the areas of personal interest and concern, but also in the broader realm of total interests and social values. It is the task of economic education to develop better thinking along both lines.



## CHAPTER 3\*

### *The Teaching Problem and Approaches in Business Education*

#### INTRODUCTORY COMMENTS

There are two general approaches to the inclusion of economic education in the school program. One approach is through the offering of courses in economics; the other is through the integration of subject matter of an economic nature in courses which are primarily "non-economic" in nature. These two approaches are not mutually exclusive, but rather are complementary. The ideal approach is a combination whereby learnings concerning economic matters are integrated in various courses as feasible and appropriate, with at least a one-semester course in general economics at the twelfth grade level providing a capstone to the whole area of economic education.

The inclusion of economic content in business courses such as those in general business, bookkeeping, business law, etc., may make these courses more functional and realistic than they otherwise would be and at the same time not detract from, nor interfere with, the learning of the subject matter *per se*. Such a situation represents the optimum arrangement and one which presents a continuous challenge to the high school business teacher.

One of the dangers of the integrated approach is that the learnings which are incorporated may be fragmentary and piecemeal in nature, thus making it difficult for the student to see the total picture and the significance of these learnings in the over-all economic pattern. The general economics course is helpful in establishing appropriate relationships for various economic understandings and knowledges previously learned, so that they become far more meaningful phases in our economic life. The course in economics, which may involve the problem-solving technique, makes possible a more penetrating and analytical analysis than is often the case when economic topics are integrated in established courses. It is also probable that a more effective and rational way of thinking about major economic problems may be developed in the economics course.

These comments are not intended to minimize the significance of the integrated approach but rather to indicate its importance, especially for the large majority of high school students who do not take a course in economics. They are intended also to indicate the necessity of careful planning. Systematic planning in order to achieve the goals of economic education is necessary not only in the business curriculum but in the entire school program.

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\*This chapter and all of Part II were prepared jointly by Dean Eugene L. Swearingen and Associate Dean Lloyd L. Garrison of the College of Business, Oklahoma State University at Stillwater, Oklahoma.

The primary purpose of this chapter and all of Part II is to identify ways and means of bringing economic learnings into high school business subjects. Because of the considerable difference between the problem of teaching business skills and the problem of economic education, this chapter (3) is devoted to a discussion of the nature of the teaching problem. It is composed of a brief analysis of the types of outcomes expected in economic education, an evaluation of these outcomes, a survey of general teaching approaches, and a brief description of classroom techniques useful in this area. The chapters in Part II deal with the integration of economic education in six different course areas, namely, general business, consumer economics, business law, advanced general business, bookkeeping, and typewriting.

The types of outcomes or levels of achievement that may be expected in the development of economic education in the business program vary from school to school, from class to class, and from pupil to pupil. Because of the wide range of abilities among business students—even in the same class—the business teacher needs to understand the different types of possible outcomes and to know the logical approaches to their achievement.

#### TYPES OF OUTCOMES

Several possible types of outcomes may be identified and classified generally as follows:

1. Acquisition of facts—basic information or knowledge of an economic nature
2. Acquisition of skills—abilities to apply facts or basic information in the solution of economic problems
3. Development of economic understandings and concepts
4. Development of learning attitudes and behavioral patterns

#### *Facts*

Facts consist of the myriad of details acquired by the student in the study of a particular topic or problem. Factual information is important and necessary for an adequate understanding of economic problems and is basic to the making of intelligent economic decisions. Facts in and of themselves have little lasting value and are of little consequence unless they are used appropriately in further study and analysis, i.e., in the solving of personal, community, or national problems.

The skillful and conscientious teacher will effectively assist the student in the learning of reliable facts and information about economic institutions which may serve as the basis for more advanced understanding. For instance, in learning about the services performed by banks, the student may visit a bank and learn much from first-hand observation and explanation. Such a procedure may be more effective than memorizing a list of services performed by banks from a page in the text. There is, nevertheless, still a place for effective use of drill and memorizing techniques in the classrooms of modern America.

Students will need help in the sorting and sifting of factual information in order to gain a clear perception of the significant facts and truths. This procedure is a step beyond the mere gathering of facts; it requires careful planning by teacher and student. One of the common weaknesses of students in their initial study of a topic is their lack of discernment of the relative importance and the relationships of different bits of basic information.

### ***Skills***

Abilities in applying basic factual information in various types of problem situations are a necessary follow-up to the learning of such information. These abilities are of various types and require different student capabilities. Examples are: ability to read a graph or a chart; ability to make the necessary computations in determining the relative costs of different types of uses of credit; ability to read and interpret reports of earnings, dividend declarations, and other information found on the financial pages of a newspaper; ability to apply basic facts and information in determining the relative merits of various types of savings and investment programs; ability to exercise judgment in selecting an appropriate means of saving; ability to draw conclusions regarding the soundness of long-range investment policies.

### ***Understandings***

Understandings might be thought of as the comprehension of relationships between basic knowledges and concrete problems, as distinguished from the knowledge of isolated segments of content material.

Problem situations constitute a desirable format for visualizing relationships in such a way as to contribute to the development of true comprehension and an ability to select alternative courses of action. Knowledges or previous learnings should serve as mental reserves to be drawn upon by the individual for raw materials in solving daily business and economic problems. During this phase of learning, student-teacher relationships take on added significance, for it is only to the degree that the student, with guidance from the teacher, is successful in isolating and defining appropriate problems that desirable outcomes in terms of understandings or concepts will be accomplished.

The term "concept" needs to be further defined. In the literature, the meaning of the term ranges from an idea of specific and limited nature to a broad generalization. As a beginning it may be assumed that a concept is the result of reflective thinking on two or more understandings. Take, for example, the topic of insurance. The student may gain such understandings as the following: insurance involves mutual sharing of risks; insurance helps to ensure maintenance of the family as a social institution; planned insurance programs contribute to the creation of estates, the insurance industry endeavors to promote thrift. By reflecting on these and other similar understandings, the student may form the concept that *the insurance industry is a stabilizing force in our economy*.

Facts about economics and business vary from time to time, and much



factual information is forgotten within a relatively short period of time. The nature of understandings and concepts, however, is such that they are less susceptible to change because they are of the nature of reasoned conclusions.

The following examples of understandings may serve to illustrate the nature of understandings as outcomes of learning.

1. How the taxation and financial policies of the government may help in determining the value ten years from now of the dollars we are able to save today.

2. How the program of debt management which our representatives agree upon today may affect the amount of taxes we will have to pay ten or twenty years from now.

3. How the way banks are organized and operated may affect the institutional credit policy of banks.

4. How the forces that influence the practices of the three large groups of spenders in the economy—consumers, business firms, and governments—greatly affect the level of the nation's output or GNP.

5. How price changes, resulting from shifting demand and supply conditions, tend to regulate the uses of and the changing proportions of the various factors of production—labor, natural resources, capital, and enterprise.

6. How the changing price level or the changing value of the dollar tends to affect GNP as a measure of the total production of goods and services.

7. How a knowledge of the factors that help to determine the market price of a product enables the buyer to judge more accurately the fairness of the price being asked.

### *Attitudes*

Attitudes about business and economic relationships are largely an outgrowth of the understandings a person has about the workings of the economy. Attitudes thus are formed on the basis of understandings and concepts, and relate to the position an individual takes regarding an issue or problem.

Because teachers' attitudes will strongly influence the attitudes of students, teachers should be careful to see that their own attitudes are based on sound economic understandings. Because attitudes may involve feelings and emotions, care should be taken to assure that rational reasoning is not neglected when attitudes are being developed. Properly developed attitudes lead to accurate appreciations.

For example, desirable outcomes might be:

1. An attitude of respect for the businessman who produces a desired good or service at a cost low enough to afford him a reasonable profit on sales made in a relatively free market.

2. An increased sensitivity to taxes, with the result that a greater interest in the costs of government operation is aroused and a greater desire to become a more intelligent voter and citizen is generated.

3. An attitude of concern for and interest in the problems of labor, industry, commerce, and agriculture.

4. An attitude of appreciation for the forces that help to produce free competitive market situations.

5. An attitude of warmth for, or pride in, the institutions that truly help the American free enterprise system to perform its work ever more smoothly and ever more effectively.

6. A sincere concern for the rights and responsibilities of all the various individuals and groups who contribute to the operation of the economy.

The final step in the concept approach involves changes in practices and attitudes of individuals. The learning of new concepts, if properly directed, leads to types of action which reflect the possession of appropriate attitudes. Such types of action develop into behavior patterns which in turn set guidelines for individual conduct generally in our socio-economic environment.

The business teacher, while realizing the importance of achieving the ultimate goal of desirable behavioral patterns, will also recognize that many of his efforts to integrate economics with the business subjects will encounter practical limitations that preclude a very exhaustive treatment. However, the teacher should strive for the achievement of as high a level of learning as possible considering the type of business subject involved, the nature of the economic problem or topic, and the students concerned. The achievement of a variety of types of, and approaches to, economic learning through integration in the business subjects will prepare the business student for even greater achievement later in an economics course. Such a course may well serve as the capstone for economic education in the secondary school.

#### EVALUATION OF OUTCOMES

##### *Defining Goals*

It is often said that education of the individual results in change in his behavior. If this change is judged generally to be socially "good," it may be said that a set of value judgments has been established which serves as standards toward which society wishes to move.

Many economists have argued that the establishment of goals for a society is outside the province of economics as strictly a social science. They contend that the economist should accept the goals as given by the society and that he should focus only upon the analytical tools which enable one to determine the various kinds of action that may reasonably be expected to make progress toward achieving those pre-determined economic goals. The choice of actions to be taken to achieve the desired results is a matter of public policy, and this is said to be outside the province of economics.

Other economists conceive of economics as "political economy." Thus, Adam Smith and most of the economists during the Eighteenth and Nineteenth centuries conceived of economics as including public policy recommendations.



Regardless of which of these positions is taken, it is clear that most economists hold, either explicitly or implicitly, to certain goals or values which influence their selection of problems for study and their conclusions as to what are the best decisions. For example, the central economic problem of best utilizing scarce resources to satisfy wants assumes that man is in some sense better off if his material wants are satisfied. In our culture, some goals, such as desire for freedom by the individual, are so basic that the economist may assume their existence without realizing that he is doing so. If one is to make intelligent choices between competing alternatives, these choices must be made in the light of certain goals or values which his best thinking tells him should be attained. It seems wise to recognize specifically that any system of so-called rational choice involves a value system, if any definition at all can be given to rationality.

It is clear that learning in the best sense leads to a change in attitudes and a modification of behavior. One of the dangers of introducing the study of economics at the high school level is that the teacher may be criticized by some people, while being praised by others, if he is successful in bringing about any modification of attitudes or behavior. Even such generally accepted economic and social goals or ideas as freedom of enterprise, freedom of speech, freedom of contract, private ownership of property, wide distribution of goods and services, and maximum economic growth are contested by some people.

However, the schools—and ultimately the teachers—are charged with the responsibility of transmitting the basic values in our culture to our children. The teacher shares as a citizen in the determination of society's goals. In addition, the teacher almost inevitably influences the value judgments made by his students. He does this, perhaps unintentionally, in the exercise of his responsibility to help the student to identify and to evaluate the goals or objectives of the society in which he lives.

Finally, given the goals in total society, the question arises of how best to attain these goals in the economic sphere. The student who is trained to think analytically will be able to identify probable results from given lines of action. He is then in a position to take the next step: the making of a decision as to which alternative course of action seems to be the best choice in terms of the goals being sought.

The teacher of economic understandings must realize, as pointed out in the preceding chapter, that the goals of society are not always consistent. For example, the goal of economic stability may at times be inconsistent with the goal of maximum economic growth. In similar fashion, the goal of maximum economic growth may be in conflict with the goal of maximum freedom of choice on the part of the individual and the business firm.

In summary, the teacher of economics will endeavor to transmit certain facts, some basic economic information, to his students. He will strive to develop in the student the ability to handle these facts analytically rather than emotionally and also the ability to think critically and logically about relationships between these facts. In the process of thinking about these economic problems, the student will gain certain information about

the economic institutions in his society. Here the teacher should continually bear in mind the idea that economics involves a way of thinking and that the student should avoid an accumulation of pat answers or a collection of unrelated knowledge of economic institutions. As the student gains an understanding of the relationship between certain objective facts, he will develop certain concepts which, with appropriate aptitudes, will enable him to think critically about economic problems. Finally, as the student attempts to analyze and identify explicitly the goals which his society should attempt to achieve, new or modified attitudes will be developed. As he evaluates the alternative courses of action available to society in terms of the goals which are desired, he gains practice in making "rational" economic choices. Such experiences will tend to influence the behavior of the student; and in several ways he will become better prepared to take a logical position and to make explicit all of the assumptions underlying his argument. He will then be able to employ certain tools of analysis which will help him to think logically about all kinds of problems; and, finally, his behavior, and that of others, will be modified—all in the interest of making better choices in a given situation. In the process, he will gain a greater appreciation for those basic values in our society which might otherwise have been overlooked or taken for granted.

#### *Measuring Achievement*

Specific instruments for testing and evaluating student progress should be related to the purposes sought through the instructional program. Purposes may range widely, including the acquisition of basic knowledges and skills, the development of abilities to apply such basic learnings, the development of understandings and concepts, and the acquisition of desirable attitudes and appreciations. The use of a variety of tests and measuring instruments is strongly recommended. Some will be formal and objective, others informal and subjective.

Measuring achievement in acquiring basic facts and skills presents few difficulties, whereas the evaluation of more advanced learning outcomes may prove more challenging to the teacher. The ability to read graphs and charts can be measured by supplying students with a variety of such forms and asking pertinent questions concerning them. The same technique can be used with factual information including business and economic data. Questions about economic situations may be constructed to test the ability to distinguish between statements of fact and statements of opinion, between actual experience and imaginary situations, between probable conditions and theoretically assumed ones, etc.

Evaluation of understandings is one of the most difficult processes of evaluation. Questions must be constructed to measure the student's comprehension of the relation of facts and basic knowledges to problem situations and not merely his ability to retain information. An accurate answer to the following question would indicate some understanding of index numbers: The cost of living index figure for 1962 is, let us say, 130 (1947 = 100). In 1947, your father earned \$5,000 a year. In the same job in 1962 he earned \$6,000. How much greater or less is his real income in 1962 than it was 15 years earlier?

Generous use should be made of the essay and the problem types of tests in evaluating economic understandings. In such testing situations, students need to possess not only factual knowledge but also the ability to think critically in organizing and relating knowledges.

Changes in attitudes may be measured by observation or through use of the attitude inventory type of questions. The student may indicate his attitude by the extent to which he agrees or disagrees with a given statement. Some examples might be: "The addition of machines in industry does (or does not) tend in the long run to increase the number of jobs available." "The profit motive is (or is not) a necessary incentive in our economic system." "There should be less (or more) regulation of business enterprise by the government." Attitude inventory check sheets are available and may be used both before and following the presentation of a unit of work in order to note changes.

Changes in attitudes will result in changes in behavior. Desirable behavioral change is the ultimate test of the success of teaching. Changes in behavior may become immediately apparent, but often these changes are very gradual and extend far into the future. The degree of development of behavior patterns that are socially desirable is not always easily measured. Perhaps behavioral change can best be determined through observation. In many instances, the observations will need to be made over a long period of time.

In summary, we have suggested that it may not be easy to measure changes in attitudes and changes in behavior, but that the effort to do so is worthwhile. Since the teacher is often criticized for attempting to grade on the basis of changes in attitude and changes in behavior, he may tend to avoid even trying to measure these levels of learning; but he should not indulge in this tendency. Another reason why teachers often use fact retention tests rather than tests of higher levels of learning is that teachers are often somewhat uneasy concerning their ability to measure the higher levels of learning effectively. Teachers feel confident that they can measure fact retention, and they have some confidence in their ability to measure understandings. They tend, therefore, to give tests which measure the "clear cut" aspects of learning, even though they may admit that these are not high levels of learning. However, even though measurement of the higher levels of learning is obviously more difficult, responsible teachers will attempt to develop appropriate techniques for their effective measurement. Furthermore, continuing efforts should be made to develop good instruments for evaluating the various problem-solving techniques.

#### GENERAL APPROACHES TO TEACHING

The methods used in teaching concept development or in bringing about the desired economic understandings and attitudes are quite different from those used in teaching the business skill subjects, e.g., typewriting and shorthand. To stimulate learning in economic education, the teacher must do far more than just help the student to learn how to perform particular business operations. He must use many techniques and procedures that have little to do directly with particular skills in performing those operations, but which are necessary, nevertheless, to develop fully the total



abilities, interests, and needs of the student. There are three broad approaches to the teaching of economic education that will be discussed here briefly, namely, (1) the historical or chronological, (2) the topical, and (3) the problem-solving.

#### *Historical Approach*

The historical approach is appropriate in considering the background of present institutions, issues, and problems of our economic system. Material is introduced according to time periods which mark eras of business and industrial progress. For instance, logical time periods could be the basis for studying the growth and development of business enterprise in America. No satisfactory study of the tariff problem could be undertaken without employing the historical method to some degree. Farm and labor organizations may also profitably be studied from the historical point of view.

Lecture-discussion procedures, as well as some independent study and research projects, are suitable for use with the historical approach. This approach has merit but is of limited use in teaching the general business type of course.

#### *The Topical Approach*

The topical approach involves learning experiences centered around a particular subject area or unit of subject matter. The topic may be broad or narrow, but in either case it provides the nucleus for student study. The main topic may be subdivided for more specific study, e.g., the various modes of transportation could serve as subtopics in the over-all treatment of the broad topic of transportation. Care should be exercised in subdividing topics to assure that all are related and have significance in connection with the major topic; otherwise "fragmentary" learning may result. Effective teachers can also aid students in tying together knowledge gained from many sources by relating major topics in some logical or psychological manner. The topic of marketing might well follow the study of production, and the study of credit could follow the topical study of money.

The topical treatment of content is appropriate when the information to be presented is largely descriptive. With high school students, much use can be made of the topical approach in the integration of economics with the business subjects. This is true particularly where the business subjects are serving as a kind of vehicle for introducing economic concepts that can be sufficiently developed by descriptive processes. Thus, the differences between similar economic terms may be taught and learned.

#### *The Problem-Solving Approach*

The problem-solving approach involves procedures whereby the student is faced with a problem of a real or hypothetical nature which requires critical or reflective thinking for a solution. In the study of the larger aspects of the economic system as a whole (macro-economics), the problem-solving approach can be used to great advantage. It provides an

effective medium through which economic concepts can be brought from the realm of pure theory into the realm of vital personal concern. The Task Force Report<sup>1</sup> emphasizes the use of this approach in the development of a rational way of thinking about economic problems. The problem-solving approach is especially appropriate for use with the more capable students.

The following may be regarded as an outline of the steps generally appropriate to the problem-solving method in economic education:

1. The student must feel the need for resolving, or at least understanding, some situation and attempt to determine whether circumstances indicate the existence of a problem.

2. The student must state or formulate the problem. He must identify various goals and objectives and see that alternative courses of judgment or action are possible.

3. The student must further define, analyze, and study the problem, perhaps using statistical evidence and empirical observations. This step involves learning the necessary theory (the established principles explaining relationships between economic phenomena). It may include developing an understanding of the causes of the problem.

4. The student thoroughly examines alternative courses of judgment or action designed to cure or solve the problem. He attempts to perceive the implications of different solutions—in the light of the applicable theory.

5. Finally the student selects a best or most feasible solution or course of action in accordance with certain accepted criteria or rules of thinking.

The exact technique used in the problem-solving approach will depend upon the specific situation. The previous experience of the student, his maturity, abilities, and interests must be considered.

Obviously, the selection of a problem is vitally important and should be checked against certain criteria. It should be a problem about which students can be motivated to learn; the study should be useful to the learner and result in the development of skills in critical thinking and the acquisition of desirable attitudes; it should involve a breadth of learning experiences; it should contribute to the achievement of major goals for the course in which the problem is being studied.

#### CLASSROOM TECHNIQUES

The nature of the subject matter in the general business units is such that a number of classroom techniques or procedures are especially appropriate. Many of these techniques are designed to elicit more active participation from the student and to make his study of the subject matter more functional and realistic. Teachers of economics and courses of a related type are indeed fortunate if they have a wide and varied reservoir of teaching techniques and procedures upon which to draw in handling a particular class or individual students within a class.

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<sup>1</sup> *Economic Education in the Schools, Report of the National Task Force on Economic Education*, New York: Committee for Economic Development, 1961, p. 66.



A few of the techniques that are especially appropriate in teaching in the economic education area may be briefly considered.

### *Committees*

Student committees are often an effective means of organizing the members of a class into working units. The subject matter in the economic education area lends itself readily to the committee technique. Topics of study for committees may be centered around certain problem areas or institutional organizations. The committee technique has been used with success in dealing with such subjects as the farm problem, labor-management relations, financial institutions, government spending and taxation, comparative economic systems, and world trade.

Through the committee arrangement, students have the opportunity not only of working together and sharing information but also of developing and presenting some material before the class. Use of the committee technique has the advantage of tending to encourage individual participation and of developing personal qualities of responsibility, tolerance, leadership, and ability to work with others. It may also provide for a wide scope of learning through the sharing of information that might not exist otherwise.

The possibility of using committees also in classroom organization should not be overlooked. Student committees may assist in the handling of classroom materials, library materials, attendance reports, planning of field trips, use of outside speakers, etc.

The teacher must recognize that the use of student committees requires very careful planning on the part of the teacher as well as by the students. Effective use of this technique requires some flexibility in classroom facilities and also the careful selection of group leaders. When the committee system is used, work progress may at times appear to be slow and the learning process somewhat more muddled than if the teacher were assuming complete direction of the class activities. However, there is impressive evidence from actual teaching experiences to indicate that students believe that they benefit greatly from active participation in committee groups.

### *Discussions*

The discussion technique should be used to a substantial degree in the teaching of economic understandings and concepts. Students should be encouraged to ask questions and to participate in the discussions. Obviously, student opinion should be respected and carefully considered. Such opinions may throw a great deal of light not otherwise discoverable on the problems or topics being analyzed. Students who actively and effectively participate in class discussions probably benefit and learn considerably more than those who are passive participants.

The nature of the subject matter in economics is such that varied opinions and viewpoints may logically arise. The reasons for these variations should be fully explored.

The discussion procedure is appropriate not only in the economics

courses but also in the business subjects when economic education is being integrated. Where emphasis on economic understanding is, throughout the year, a part of the regular teaching of business courses, students may increasingly and more certainly learn that when something pertains to economics it has a broad base of importance and is, therefore, deserving of special consideration.

The interest, enthusiasm, and skill of the teacher will contribute significantly to the effectiveness of the discussion. When interested students ask questions, the teacher should make an earnest effort to include these points immediately in the discussion. To postpone bringing them into the discussion, perhaps until a time when they are mentioned in the textbook, may destroy the value of an already aroused interest.

Discussions (with the teacher or perhaps a selected student presiding) may be used either for introducing topics or problem areas or for isolating problems for study. In a well-conducted discussion of this type, certain determinations should be made. For instance, it should be determined what students already know about the subject, what they don't know, what misinformation they may possess, and perhaps what controversies or differences of opinion exist among members of the class on vital issues. Such knowledge will be useful in directing the discussions toward the most fruitful results. Economics is so close to the lives of all people that many opinions have already been formed by the youngsters when they reach the high school level. Many of these ideas may be erroneous, but even this situation is a spark of interest which may be used as a starting point for better learning.

#### *Socio-drama*

The socio-drama is a learning technique, the heart of which is a realistic situation portrayed by the students. Different numbers of students may participate in the socio-drama depending upon the nature of the situation to be depicted. This technique may be used effectively in setting the stage, as it were, for various kinds of problems or topics. It usually serves to stimulate vigorous interest and thinking, partially because of its novelty and also because of its dramatic effect. Students might dramatize a corporation's board of directors meeting, the town council discussing the financing of community activities, a labor-management collective bargaining session, etc.

#### *Panels*

Panels may be regarded as a specialized use of the committee or group technique. Panels can be used effectively in introducing discussions with the class or in presenting basic information about a new topic or problem. The panel technique may be effectively used in discussing the pros and cons of all kinds of controversial issues. The panel may impressively be made up of informed spokesmen representing two or more opposing interests in an economic controversy. Student panelists may act as defenders of opposing views.

### ***Reports***

Both oral and written reports may be used in the teaching-learning of economic subject matter. These reports may involve some group work, but in many instances they may be prepared and presented on an individual basis. If the student is particularly interested in a topic or subject, he should be allowed to select that particular one for his report. Conferences with students will be necessary in order to help plan and develop good reports. In connection with individual oral reports, the teacher may well stand by to assist the student in case he encounters some difficulty. One way of encouraging attention and participation by other students is to have certain ones exercise responsibility for asking questions of the speaker at the conclusion of the report. Teachers who have never tried this type of project may be amazed at the material results and at the interest it creates.

Reports in written form often have added value because students need the practice and the learning that are involved in organizing and formulating an acceptable written report. This kind of experience helps students to systematize their thinking and to express it formally. Students should have the opportunity of making some of the choices involved in report-making and also of receiving some sound advice and counsel from the teacher concerning both materials and formats to be used.

### ***Current News Items***

Reading and study of economic topics in current newspapers and magazines should be encouraged. Various periodicals may be made available to students by means of group purchases or regular individual subscriptions at reduced rates. News magazines are of two types. They may be made up primarily either of general news or of business news. It may be well to select one publication rather than several so that the instructor can more easily aid and direct such outside reading and study.

A motivation device used effectively by many teachers is to set aside five or ten minutes at the beginning of the class period for a discussion of current news events dealing with economics or business activities. This is often an interesting and worthwhile part of the course, and it certainly gives students an opportunity to speak and explain or to express and defend a point of view. These discussions will usually produce stands on different sides of the question or problem, each with its own logic; and this situation may become an effective springboard for further study and learning. The use of news-reporting does not necessarily have to be a daily event, but there is some merit in having a regular planned procedure for such an activity.

An alert and interested class under the direction of a capable, enthusiastic teacher can find much material from current news sources for the enrichment of a program of economic education. Almost every day there are items of national economic concern in the metropolitan newspapers. Even economic items of only local attention and interest will often provide learning opportunities; and these can often be extended to tie-ins



with problems on a national level. Obviously, if certain articles or events are not worthy of inclusion for discussion as a part of the course at hand, the teacher should redirect attention to other matters that are more pertinent.

### *Field Trips*

The field trip gives the student an opportunity to observe business in action and perhaps to see how it influences the economy. A sense of the reality of the situation is thereby engendered which generally cannot be achieved through any other technique or activity. Most business organizations and civic groups welcome visits from students and are very cooperative.

The number of persons participating in field trips may vary from a few people in one automobile to a busload, depending upon the nature and purpose of the trip. The smaller-group system is often more effective than taking an entire class, because it permits the placing of more responsibility upon the individual participants to portray the significance and meaning of the trip; and their subsequent reports can serve the purpose not only of informing the other class members but also of giving the participants valuable experience in reporting their observations.

Worthwhile and interesting trips may be made to a commercial bank, a Federal Reserve bank, an insurance office, a stockbroker's office, a produce market, or to small luncheon meetings in which pertinent economic problems are discussed with appropriate individuals such as company officials, labor leaders, or agricultural experts.

Careful planning is necessary to insure a successful trip. Most of the arrangements can be made by the students with some guidance and direction. Planning for any effective field trip would include: the making of complete arrangements, including specific time schedules; the identification of certain objectives; the formulation of some logical questions to which answers will be sought during the trip; the selection of a group leader or leaders; the organization of committees responsible for certain aspects of the visit, such as courtesy, safety, agenda, etc.; and preparation for follow-up analysis and discussion in the classroom.

### *Guest Speakers*

Often as effective as field trips are the occasions when people from agriculture, business, government, or labor are brought into the classroom as speakers. The effectiveness of this kind of teaching device depends to a large degree upon the ability of the selected individual as a speaker and the degree to which the material presented contributes toward the aims of the unit. If such occasions are carefully planned and carried out, they have a stimulating and enlightening effect upon students.

Here again students can contribute materially in making the necessary arrangements. Student committees may be formed to consider the selection of the speaker, to issue the invitation, to suggest topics and information that should be included in the presentation, to extend hospitality to the speaker, to arrange for demonstrations or the use of any special equip-



ment, to follow up with a written expression of appreciation to the speaker, and to devise and execute a continued class analysis of the ideas presented.

For example: during the study of a unit on banking, an official of a local bank may be invited to discuss the economic influences of banking on the community, or the influence of commercial credit in the business community; or a representative of a local social security office might be asked to discuss social security and its significance to the individual and to society.

One of the important values of such activities or techniques as field trips and guest speakers is the resulting awareness on the part of the student that the activities performed in the business and economic environment are quite like the theoretical presentation of these events in the textbook. When students hear, for example, a banking executive explain the functions of a Federal Reserve bank in the same terms and in the same way as these functions are presented in the textbook, students will probably become more interested in reading their assignments.

#### *Classroom Library*

To whatever extent possible, the maintenance of a classroom library in connection with the study of economic topics is quite valuable. Such an arrangement makes resource materials readily available for the use of study groups in the classroom. It also provides opportunities for students to exercise some initiative in developing reports and in locating information; and, of course, such material may provide a desirable supplement to the basic text.

In an effective classroom library, there must be an adequate filing system and available space for storage and filing. Obviously, the materials available should be accurate, appropriate, and up-to-date, and should be maintained in good physical condition. With the wealth of material available to the teacher of economic education, there is no reason for any student group not to have access to good reference materials. The teacher is referred to the publication entitled *Study Materials for Economic Education in the Schools*, Report of the Materials Evaluation Committee, October 1961, Supplementary Paper No. 12, Committee for Economic Development, New York; and also to a 16-page pamphlet entitled *Suggestions for a Basic Economics Library for Secondary Schools*, revised, Joint Council on Economic Education, New York.

#### *Chalkboard, Flannelboard, and Bulletin Board*

The chalkboard is one of the old stand-by visual aids and should be used extensively in presenting new terms and in outlining and analyzing various problems. The chalkboard is readily available and is useful in presenting many kinds of materials. Chalkboard presentations should be carefully planned. They may be made more effective through the use of colored crayons, connecting lines, and neat arrangement. The teacher should be careful to avoid talking to the board rather than to the class.

The flannelboard may be used several times during the course of the semester to add variety to the class procedure. Often up to 50 per cent

more material can be presented through the use of the flannelboard as compared with the chalkboard in a comparable amount of time. The flannelboard possesses more flexibility than many types of visual aids in that the materials can be moved around to show changing relationships and different ideas. Furthermore, the teacher is able to face the class most of the time; and since the props have been prepared in advance, there is no consumption of time during the class period for this activity. The flannelboard system has the added advantage that once the materials or props have been prepared, they can be saved and used again in other classes or on other occasions.

The bulletin board provides a convenient and effective way to display various types of classroom materials such as charts, maps, business forms, news clippings, etc. A bulletin board presentation might be planned, for instance, to help the student visualize the installment buying process by a materials arrangement showing the steps in an installment purchase, beginning with the application form, followed by a chart showing the investigation procedure, and ending with the final approval or disapproval of the contract. Likewise, the procedures in the routing of a bank check can be appropriately illustrated on a bulletin board. There are many business forms, documents, and related materials that can form the basis for instructive bulletin board displays.

Obviously, bulletin board materials should be current, and displays should be removed when the theme is no longer related to the classroom study. It is much better to have a blank bulletin board than to have one which is out of date or too congested and disarranged to do an effective job of illustrating a point or telling a story. Care should be taken that the planning and preparing of bulletin board displays does not become just an exercise in art. Its primary justification must be on the basis of its learning value.

Use of the bulletin board and the flannelboard can do much to add interest and variety to the classroom activities. It is one means of achieving student participation. Some students may be highly adept in developing good bulletin board or flannelboard displays, and the teacher should encourage the exercise of such aptitudes. The talents of other students, of course, will point toward other types of learning activities. The bulletin board and flannelboard presentations, to be effective, must tie in with, and contribute to, the achievement of the lesson or unit goals.

#### *Films, Filmstrips, and Slides*

The teacher should be familiar with an effective procedure for selecting, ordering, presenting, and evaluating a film. This procedure should be such as to ensure that the presentation will be a meaningful learning experience for the student. Much literature is available on how best to use films in the teaching of the general business subjects.

The use of films in teaching understandings about various economic problems and concepts tends to promote interest on the part of the student and is a popular and effective medium for presenting information. Films, like other visual aids, should be coordinated with the instructional process.

They should be carefully previewed, either by the teacher and/or a student committee, and followed up with effective analysis and discussion. Films may be used in various stages of the learning process, either in the initiatory stage, the developmental stage, or in the culminating phase of learning, depending primarily upon the nature of the film material. For example, the film "Fred Meets a Bank" could be used in introducing a unit concerning money and banking; the film "Money at Work" would be used in the developmental stage; and films concerning the Federal Reserve System could be used in the final phases of studying.\*

Filmstrips possess the advantage of flexibility in that they can be coordinated with lecture or discussion and can be used at varying rates of speed, or stopped indefinitely for extended explanations and discussions. Filmstrips may be used in a moderately darkened room and without a screen. The filmstrip device lends itself to a "do-it-yourself" project for the teacher, perhaps with student assistance, to produce his own strips on local subjects for classroom use. There are many filmstrips now available on various subjects relating to economic education.\*

Slides are similar to filmstrips in use, having basically the same advantages and limitations. The slide is easier to prepare, however, and is more moderate in cost than a filmstrip.

Since the BIBLIOGRAPHY, following Chapter 10, presents a further discussion of audio-visual aids, along with other references to source materials, no attempt is made in this section to describe specific items.

### CONCLUSION

The business education teacher is in an opportune position to incorporate economic understandings into his courses. In most school systems, this teacher is as well trained to undertake this task as any other teacher. Nevertheless, many business education teachers will need to improve their competence in this area by further reading and study of economics, and it is hoped that teachers currently being trained in this area will have more economics included in their curriculum.

We believe that the business education teacher not only has an excellent opportunity to advance economic understandings, but also has a special responsibility to do so. Students in the business education area are, for the most part, students who intend to enter some phase of business practice. Consequently, these students have a special need to understand the entire operation of the business organization and its place in the American economy.

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\*The two films specifically mentioned are available by rental or purchase from: Coronet Instructional Films, 65 East South Water Street, Chicago 1, Illinois, and American Bankers Association, 12 East 36th Street, New York 16, New York, respectively. A bibliography of *100 Selected Films in Economic Education* is available from the Joint Council on Economic Education, 2 West 46th Street, New York 36, New York.

\*The JCEE is preparing a new bibliography of *Selected Filmstrips* for economic education purposes, including its own series on THE UNITED STATES ECONOMY IN ACTION.



## **CHAPTER 4\***

### ***The Business Teacher's Role Outside the Classroom In the Economic Education Program***

While no one would dispute that "the teacher's first responsibility is to his students in the classroom," every conscientious and capable teacher would know that his responsibilities do not end in the classroom; they extend far beyond, into many different facets of the life of a school community. So it is with the business teacher who is striving to teach economic understandings—his responsibilities include more than mere classroom instruction. Just what these out-of-the-classroom responsibilities are depends very much upon the interest and drive of the individual teacher.

Before the discussion gets down to specifics, the general observation should be made that every business teacher needs to appreciate the "all" of Business Education—to have a working knowledge of all its component parts. If he is trying to teach economic understandings only because someone has said he should, rather than because he really believes that such instruction is an integral part of every student's learning, he is not properly prepared for the task of helping American youth obtain a better understanding of the economic impacts that bear upon our everyday life.

In trying to answer the question, "What can business teachers do about economic education in addition to teaching economic understandings in the classroom?" we may do well to start with the things that the individual business teacher alone can do. Later the discussion will turn to the ways in which the business teacher can work with fellow teachers, professional organizations, school administrators, civic groups, and so forth. At all times, however, there must be an understanding of the need for concerted action both by individuals and groups if the best results are to be obtained in promoting economic education.

#### ***Make Every Business Teacher a Salesman***

The successful business teacher first of all needs to be a salesman for the specific instructional area he represents—not in a selfish sense, but from the point of view of one who is himself "sold" on the importance of his service. He must seek opportunities to tell others about the part that Business Education can and does play in the total system of education.

The business teacher should be aggressive enough to ask his fellow business teachers to "go with him" as he seeks to broaden his sphere of activity in economic education. This will indicate his recognition of the

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\*This chapter was prepared by Theodore Yerian, Head of the Department of Business Education, Oregon State College at Corvallis, Oregon.



need for united action from a diversity of sources if individual action is to achieve its best results.

As the individual business teacher seeks to spark an interest among his own departmental co-workers, he may well use a "let's-do-this-thing-together" approach. He may find it difficult to create interest among fellow business teachers who have been content for many years with the "status quo." He may get a typical comment such as "I'm satisfied as a skills teacher and my services are still needed, so why should I become excited about economic education?" It may be discouraging to encounter such an attitude, but there are usually some much better attitudes near by. In any event, the business teacher should keep striving to obtain a solid backing from among his own colleagues if he is to make a lasting contribution to economic education. It is up to each business teacher, then, who believes that Business Education has an irrevocable obligation to teach economic understandings in every way possible, to influence his fellow business teachers to stand up and be counted in on the project.

#### *Keep Administrators Posted*

Every individual business teacher, especially those in one-teacher business departments, should realize that the school administrator must depend largely upon his staff to provide him with information pertinent to the specific subject fields represented within the school.

Most school administrators have come in contact with much factual information concerning the need for the teaching of economic understandings in our secondary schools. As is true of much of that which is sent to the school administrator, the full impact of this information is rarely felt without the assistance of the teacher or teachers most closely associated and concerned with the facts involved. So, the business teacher should see that his administrator gets some assistance in picking out from the many things that are written about economic education those items that are considered most useful. The business education teacher should assist the administrator in differentiating among the organizations working in the area of economic education.

Let him ask himself this question: Have I made all possible efforts to see that my school administrator understands the true significance of the first brochure published by the Policies Commission for Business-Economic Education, entitled "A Proposal for Business-Economic Education for American Secondary Schools"?\* An effective approach would be to ask the administrator for time to sit down with him to discuss the merits of the recommendations made in the brochure. Such a meeting would lead to a discussion of what is being done in the local school to provide instruction in business-economic education. If this approach were made with tact, it could produce very constructive results. It is this face-to-face discussion and the testimonial on the part of the business teacher that

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\**A Proposal for Business-Economic Education for American Secondary Schools*, Policies Commission for Business and Economic Education, 1201 Sixteenth Street, N.W., Washington 6, D.C., 1961.

help to place the need for economic education in its true perspective before the school administrator.

#### *Make Economic Education A Cooperative Effort*

Different departmental groups of teachers have been described as living within little educational worlds of their own and making no great effort to communicate with other departmental groups. This criticism has been directed toward business teachers as well as toward other groups.

Because of the new interest in economic education (Or is it only a case of revived interest?) there is a real danger that a spirit of "possessiveness" may develop among those who claim the sole right to teach this subject matter in the schools. Economics really belongs to all teachers, even though some are better prepared to teach it than others. These statements suggest that the *business teacher should take the lead* in encouraging *all* elementary and secondary teachers to become familiar with and undertake to teach some fundamental economic understandings. No doubt there is a place for teaching a specific course in economics as such, but it is equally true that throughout the elementary and secondary schools there is a need for many teachers to work at the task of making known to their students, in real and practical ways, whatever economic fundamentals are related to the subjects at hand.

Business teachers, individually and in groups, can help other teachers to recognize the need for a better understanding of practical economics. Application of the same economic concepts in varying course content provides the kind of repetition from which the student can profit. Economics, then, is not a four- to a six-weeks unit in a high school course, but it is a thread of common understanding that needs to run through differing vocations, interests, and subject matters. *Business teachers should take some initiative in propounding this idea!*

#### *Don't Forget the Other Students*

Other groups within the school itself (besides the teachers, the administrators, and the students in one's own classes) with which the business teacher has ready contact are the other high school students. Through the wise use of bulletin board space, school publications, and assemblies, the teacher can create opportunities to acquaint these other students with the need for economic understanding. One of the best ways to arouse interest in this need is to encourage the students in the business education classes to become so interested in their work that they tell others—enthusiasm in one group serving to create interest among others.

#### *Keep the Counselor Well Informed*

Business teachers should be aware of the strategic part played by the school counselor in the student's educational program. Even before a concerted effort is made to arouse interest among the students concerning the value of economic education, the business teacher would be wise to have made available to the counselors the same information that is to be used to inspire the students. It will be remembered here, of course,

that the specific emphasis is on economic education and that the total information prepared for counselors should reflect the "all" of Business Education.

#### *Share With Other Teachers*

Every business teacher who has attended (or who may attend) an economic workshop should plan to "share the wealth" with all those who could profit from the information obtained. In addition to handing out duplicated and/or printed materials from the workshop, the business teacher should volunteer to brief orally the recipients in order that they will be challenged to make the best possible use of the materials. A friendly follow-up to determine whether more assistance is needed will tend to keep the educational contact open and the interest alive.

#### *Help the Librarian*

The school librarian is ever on the lookout for instructional materials that can be added to the library offerings. The alert business teacher who has become familiar with worthwhile economic education materials through workshops, readings, bibliographies, professional meetings, and so forth, will feel a responsibility for passing these ideas on to the school librarian. Further assistance in the form of recommendations from the teacher as to how the materials should be used, and by whom, will also be helpful to the librarian.

#### *Highlight Economic Education Through All-School Events*

Convocation or assembly programs are an excellent means of informing teachers and the general student body about the merits of economic education. Although the initiative could very well be taken by the business teacher in such an activity, it is recommended that as many instructional departments as possible be encouraged to participate. The more evident it is made that economic understandings are important in all academic areas, the greater will be the impact on the whole school program. Business teachers are urged to take the initiative in developing this idea.

#### *Revise Course Content*

Individual business teachers can do much to highlight economic education by preparing revised course outlines of their courses. One of the chief reasons for the revision would be to incorporate economic understandings in every way possible and practical.\* Here it is especially important that the teacher make known to his superiors his objectives and follow through in such a manner that administrative backing is obtained. There are many, many sources from which economically oriented supplementary materials can be obtained—banks, insurance companies, research organizations, labor unions, manufacturers, and so

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\*For suggestions as to how this may be done in specific courses see the following six chapters.



forth. Each year the Joint Council on Economic Education publishes an *Annotated Bibliography of Materials in Economic Education* (75 cents) which contains a wide array of pamphlet and booklet materials. Also see the 1961 Report of the Materials Evaluation Committee on *Study Materials for Economic Education in the Schools*, the JCEE *Suggestions for A Basic Economics Library for Secondary Schools*, and the bibliographical references following Part II of this book.

#### *Make Audio-Visual Aids Available*

Audio-visual aids are becoming more and more an integral part of the secondary school instructional program. The business teacher may well take the initiative in seeing that economic education materials are well represented in the film library. The Joint Council on Economic Education has prepared a bibliography of *100 Selected Films in Economic Education* and is preparing a similar one on filmstrips.

#### *Get Acquainted with Economic Education Councils*

Business teachers as individuals and/or as groups would do well to become familiar with the activities of their State Council on Economic Education if one exists. The major purpose of such a Council is to sponsor economic education in the schools at all levels. Support for the Council activities comes from business, labor, agricultural, and educational organizations located in the area. One of the major activities sponsored by such a Council is a variety of in-service programs designed to improve the preparation of teachers, especially elementary and secondary teachers, for incorporating economic understandings into their respective courses. In some states, there are regional or local councils in addition to the State Council.\*

Both the national and the affiliated area councils are aptly described as "non-profit, non-political educational organizations created to help improve economic education in America." The work of these councils is very closely connected with the work that business teachers are here being challenged to do. Every business teacher should get acquainted with the council that serves his area.

Other nationally known and recognized organizations dedicated to the cause of economic education are the Committee for Economic Development (711 Fifth Avenue, New York 22, New York), the American Economic Association (the national association of professional economists), and nearly all of the regional associations of economists. The business teacher should be in contact with local members of these organizations.

It was the American Economic Association that appointed eight nationally-known educators well versed in economic education to serve as the "National Task Force on Economic Education." The "Task Force"

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\*The situation in your own area can be determined by an inquiry addressed to the Joint Council on Economic Education, 2 West 46th Street, New York 36, New York.



was instructed to prepare a publication which would "describe the minimum understanding of economics essential for good citizenship and [also] attainable by high school students, the main object being to provide helpful guide lines for high school teachers, administrators, and school boards." The Task Force acted completely independently of the sponsoring organizations; and in September, 1961, the resulting publication, *Economic Education in the Schools* became a reality. Every business teacher should become familiar with this publication, or at least with the *Summary of the Report of the National Task Force on Economic Education*, both of which have been widely distributed by the JCEE and its affiliated councils.

#### *Develop An Economic Education Program*

Business teachers, especially in the larger cities, can very appropriately take the initiative in recommending to their supervisors and/or administrators that a committee be set up to develop an economic education program for the schools. The recommendation could very well carry a suggestion for inter-departmental cooperation in order that all elementary and secondary teachers may become cognizant of the need for economic education in the schools. In any event, the business teachers of the city school system should develop for their own departments specific recommendations as to how they can best contribute to economic literacy. These recommendations when cleared through the proper administrative channels may result in an early revision of several of the business courses of study—especially those of the basic business type—and/or the development of a specific course of study designed to cover at least the "minimum understanding of economics essential for good citizenship."

Many business teachers already will have participated in curriculum improvement projects, or at least in evaluation studies of the business program for their own schools or school systems, and know how lacking these programs usually are in economic content. Not only has it been necessary to revise the course content in many cases, but the whole philosophy of education in this important area has also had to undergo a change.

#### *Make Recommendations to Teacher-Education Schools*

Business teachers who have had experience in teaching economics as a separate course or in incorporating economic content into any of the business courses are in a strategic position to make recommendations to teacher-training institutions concerning the type of economic instruction needed by trainees in the elementary- or secondary-teacher groups. Probably through group action, as by a state or national business education association, such recommendations could be made in a manner specific enough to bring about changes that are deemed to be necessary. Still another way the business teacher can work on behalf of economic education outside his classroom is to be instrumental in getting professional economists actively involved in the teacher-education programs.

### *Plan An Educational Campaign*

"Plan your work and work your plan" is a commonly used slogan that radiates significance for business teachers who want to help advance economic education. A group of business teachers, probably under the banner of a state association or a state economic education council, may set for itself the goal of enlightening strategic groups concerning the need for economic education in the schools. The target picked by the business teachers for this project could be such groups as: parents, the school board, the parent-teacher association, and one or more of the local civic clubs. A carefully selected teacher committee (composed especially of business and social science teachers) could meet first to "plan the work." In this planning, consideration could be given to such "naturals" as: (1) objectives, (2) timing, (3) contact media to be used, (4) costs, (5) controls, (6) evaluation techniques, (7) follow-up, and so forth.

Extensive and high-sounding planning is of no consequence unless it is followed by diligent efforts to make the plan work. Success of the plan will depend largely upon the interest and the attitude of those accepting the responsibility for the "leg work" of the campaign. Business teachers should know that serious and vigorous effort is required to assure the success even of well-laid plans. It may take at least a complete school year to reach each of the groups indicated—two school years might be needed to provide sufficient time for both planning and full execution.

### *Hold Business-Teacher "Jam Sessions"*

Some groups of business teachers have been brave enough to engage in economic education jam sessions—and were surprised at the successful outcome. This type of meeting is not structured in the same way that our professional sessions normally are. There are no designated speakers—just dedicated teachers who believe that it is good to get together occasionally to "compare notes." Naturally someone needs to take the initiative in calling the teachers together—business teachers within a particular district, county, city, or valley.

During such an unstructured program, teachers often find that among their own ranks, within a local community or district, there are individuals with instructional ideas and innovations just as good as, or even superior to, any that could be imported through the medium of an outside "specialist." The important thing to remember is that there is a place for both the "imported" and the "home grown" varieties. Let business teachers be the ones to take the initiative in setting up a "Business Education Jam Session" to explore all kinds of ideas about local instructional activities and economic education problems. The subject area should be broad enough to include the "whole" of Business Education in relation to the teaching of economic understandings.

### *Conduct an Economic Education Inventory Test*

A good start for any economic education program could be made by determining how much (or how little) students already know about

economics! Here we refer to the pre-test system which has been used in several different subject areas. The business teachers in one state through their state association are preparing an economic inventory test to determine what the secondary students of that state know about economic understandings. These teachers will be surprised if they do not find that students are greatly lacking in this respect.

Here is a project that may well include surveys both among the students and among adult groups outside the classroom. It is expected that the results of this inventory test will provide ample evidence that economic education has not received, and is not receiving, enough attention in the secondary schools. School administrators need (and would appreciate) concrete information on that point before making sweeping changes in their secondary education programs.

#### *Enlist the Help of Professional Economists*

The talk among business and social science teachers about the need for a meeting with economists from colleges and universities needs to be implemented by action to set up such a meeting for the purpose of discussing two important questions: (1) What can be done to improve the preparation of trainees for the job of teaching economic understandings in the secondary schools? (2) What should be the economic content taught to secondary students and how should it be taught? Here again, business teachers individually or collectively may have to take the initiative.

#### *Appeal to Businessmen for Support*

The effort to obtain local support from businessmen for business education can often be aided by tying-in business education with economic education. In Seattle, Washington, for example, the National Office Managers Association provided the funds with which a committee, headed by the Supervisor of Business Education in the Seattle Public Schools, prepared an attractive brochure which effectively tells why business training has an indispensable role to play in secondary education. The importance of business education is enhanced when it is presented as a vehicle for economic education.

What Seattle has done to protect and bolster its Business Education program can be done and is being done in many other communities—large and small—through tie-ins with economic education. All that is needed is that spark of interest, determination, and faith on the part of business teachers that makes them see how business education is related to the more general forms of education. NOMA chapters, members of the Young Presidents' Organization (YPOers), and hundreds of different kinds of business and civic groups around the country represent untapped sources of assistance for programs of business and economic education. It is up to the educators to take the initiative in tapping these resources, for businessmen seldom volunteer to step forward into such a scene even when they are quite willing to become a part of it.



### *Ask Yourself a Few Questions*

Business teachers should answer these few questions for themselves: (1) Have I checked to see if there is a Young Presidents Organization chapter near me? All members of such a chapter are presidents of million-dollar (or better) business organizations, and all rose to their positions of responsibility by the time they were forty years of age. Most of these people are strong backers of economic education. (2) Is there a National Office Management Association (NOMA) chapter in my community? This is another strong source of local assistance. (3) What organizations such as the Chamber of Commerce and the Retail Merchants Association are represented in my community? (4) Have I ever tried to bring the work of my business department to their attention? In all of these possible avenues of approach to community support, the "all" of Business Education—including economic understandings—should be stressed.

### *Obtain Support From Associations of School Administrators*

The state and national associations representing the superintendents, principals, and supervisors in secondary school systems naturally exert a very strong influence on the secondary school programs of this country. Business teachers, as individuals, groups, and associations, should be "in touch" with these three well-known professional administrative groups. The help of the three groups that "run the show" is needed to advance economic education. This help will not be forthcoming unless the administrators are sufficiently informed about the problem of economic education. Business education teachers are in a strategic position to supply the information needed.

### *Miscellaneous*

There are other devices and activities which the business teacher can employ outside the classroom as he works in behalf of economic education. A few of them may be mentioned briefly as follows:

1. A chain letter to accumulate examples of classroom activities highlighting economic concepts may be used to generate a growing interest in economic education.
2. Articles for publications, business and non-business, pointing up the need for economic education, may be written.
3. Stories for local newspapers concerning the need for economic education may be written.
4. TV programs which highlight economic education may be boosted.
5. An in-service course in practical economics for local teachers may be organized.
6. Economic education may be designated as the discussion topic for an early PTA meeting.
7. A move to establish a "Center of Economic Education" in a nearby college or university may be initiated. Such a center will have



one or more persons assisting the secondary schools in the area to do a better job of teaching economic understandings.\*

8. Plans may be laid to get the local professional Business Education associations (city, county, or state) to give special attention to economic education at their forthcoming meetings.
9. Local Adult Education programs may be encouraged to give a high priority to economic education.
10. State Departments of Education may be encouraged to recognize the true significance of economic education and to urge that every secondary student obtain instruction in this subject area.
11. Business clubs, such as local chapters of Future Business Leaders of America, may be encouraged to serve as a medium through which students are brought into contact with outside-the-classroom economic understandings. The same may be said of local organizations of farmers and of laborers. Club members may be asked to provide speakers to discuss economic understandings from the point of view of their respective organizations.
12. There may be an advisory committee of some sort in the local community which can be used as a sounding board for new ideas concerning economic education. Members of such a committee may be instrumental in helping to highlight the need for stamping out economic illiteracy.
13. The services of a local Business Education Supervisor or Consultant for the State Department of Education may be enlisted to help in a number of ways. If not, efforts may be made to establish such services.

Business teachers everywhere should keep in mind that he who stops learning today is behind the times tomorrow. They should keep up-to-date on the "all" of Business Education; be enthusiastic boosters of all phases of the program; do all they can outside the classroom to help make more effective the work that is done in the classroom; be prepared to defend Business Education if need be; and above all, be prepared to contribute effectively to its over-all objectives.

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\*Complete information can be obtained from the JCEE as to how such a step can be initiated.

**PART II\***  
**OPPORTUNITIES FOR TEACHING ECONOMICS IN  
BUSINESS EDUCATION COURSES**

**CHAPTER 5**  
***General Business***

An examination of some standard textbooks used in the high school course entitled "General Business" reveals that considerable modification of these books is needed if economic education is to be one of the major goals of the course. The textbooks properly begin with what the student already knows about the business world, based largely upon his experience as a consumer and upon his participation in the family unit. They can be criticized, however, for failing to raise the student much above the level of looking at economics from a strictly personal point of view. Economics is a *social* science, and the student should be trained to extend his analysis from the viewpoint of an individual to that of the economy as a whole.

Many people in our society react to economic issues in the fashion of one who says: "If it is good for me, then it must be good economics. If it is bad for me, then it must be bad economics." It takes considerable training for the individual to be able to view a problem with a broader perspective, asking the question "Will this be good for our total economy?"

Thus we see that a course in general business should begin with what the student knows but should attempt to develop in him a broader perspective in order that he might look intelligently at the complex and extensive issues involving social policy. For example, the questions of tariff protection, toll highways, public support of education, and expenditures for mental hospitals cannot be considered intelligently except from the viewpoint of the whole society. The textbook in general business that devotes most of its attention to personal economics is not likely to develop on the part of the student an attitude of approaching these problems from the standpoint of citizenship.

When we speak of raising the level of economic literacy of our people through economic education, we are not speaking primarily of such things as how to write a check, how to keep a personal budget, how to buy a railroad ticket, how to get your money's worth when you purchase goods, how to use credit wisely, how to purchase securities, or how to invest in a

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\*All the chapters in this Part (Chapters 5-10) were prepared by Dean Eugene L. Swearingen and Associate Dean Lloyd L. Garrison of the College of Business, Oklahoma State University at Stillwater, Oklahoma.

home. Rather, we are talking about the answers to such questions as: Should our society increase or decrease welfare payments to the unemployed and aged? Should we be subsidizing transportation agencies to a greater or lesser extent? Should organized labor be given greater or lesser encouragement? Should governmental participation in the production of goods and services be increased or decreased? Do the patent laws and copyright laws of our society promote or hinder economic progress? Is the sales tax or the income tax a better method of financing a public project? And what are the economic effects of a specific farm program?

Because present textbooks in the general business area approach the subject almost entirely from the viewpoint of the individual consumer, the student obtains from the text very little understanding of the actual operation of a business organization and almost no understanding of the total socio-economic system. If this fault is to be remedied and the student is really to understand the operation of a business firm, the books should give him much more information related to the production process, the marketing process, the financing of the business, the selection and training of personnel, the legal environment in which the business firm operates, and the governmental policies which affect the individual enterprise.

The textbooks surveyed contain virtually no material that will help the future businessman to understand the economic environment in which he must live and operate. For example, these books give almost no information on the causes of recessions, depressions, or booms, nor on the causes of inflation or deflation. When the Federal Reserve System is mentioned, the discussion stops short of explaining the effect which the Federal Reserve System has on the total economic system through changes in monetary policy. One of the texts would leave the student with the impression that the primary function of the Federal Reserve System is to act as a clearing house for member banks. A far more basic and important responsibility of the Federal Reserve System is to promote the stability of the banking system and the growth and stability of the total economic system.

One of the objectives of the general business course is to give to the student an insight into the functional nature of the business sector of our society. Even students who will not later enter a business organization need to have some familiarity with this important aspect of our socio-economic order. Among the students in the general business course who will enter business, there are many of course who will never get to a top management position; but even these students need to acquire some idea of the over-all business organization and the functions performed by top management if they are to be highly useful employees in whatever positions they occupy.

None of the textbooks reviewed contain material which would give the student much of an insight into the program of study he would follow if he should enter a university program in business. A good chapter relating to the function of management could serve this purpose. Similarly, the textbooks might well include some challenging discussions of predominantly economic phenomena. These might cause the student to become

interested in taking courses in economics at the university level, and thereby further broaden his economic understanding.

The total goal of economic education is something that cannot be achieved in any one course. A course such as general business can contribute something to this understanding and can be used to create a desire on the part of the student to learn more about the functioning of the American economic system; but it cannot do the whole job, for there are some aspects of economic life that are not encompassed in the business world alone. There are significantly different levels of ability among the students enrolled in the course in general business. The individual business or personal finance approach which is used in the current textbooks is probably best designed to interest the student who has a low level of ability. It is possible that some students will never be able to move from a level of understanding which relates primarily to him as an individual to a level where the social viewpoint is to be taken. However, the more capable student, particularly the student in that group referred to as the academically talented, is capable of moving far beyond the personal viewpoint. This type of student, indeed, with his greater capacity to learn, is much more likely to be challenged by the broad point of view than by the narrower one. Any tendency on his part to exercise his greater talents should be encouraged. One way to do this is to direct his attention toward the university programs which are designed largely to increase his knowledge and understanding of the broader aspects of life.

The present textbooks are deficient in failing to append a bibliography of materials that might be interesting to the more capable student. Newspapers such as the *Wall Street Journal* and magazines such as *Business Week* contain much interesting material which is not above the reading level of the more talented tenth grade student. Also, the *Economic Report of the President* (of the United States), *Fortune Magazine*, and *Survey of Current Business* (published by the Department of Commerce) can be read with interest by the academically talented student.

It is obvious, of course, that if the general business course is to include considerable material relating to the total economic system—to its organization and its operations—the teacher must be adequately trained to make this approach more effective. This means that he must know far more about the total system than he undertakes to teach to his students.

In the material that follows, comments and suggestions are made concerning the inclusion of economic education in the specific subject matter areas of the course. The subject areas are identified in the sub-headings in the order in which they are usually studied in the general business course.\*

### *Our Business World*

In the introductory section of the General Business course, the typical text discusses briefly the personal aspects of the business world in which

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\*See Chapter 9 (Bookkeeping) for another presentation of excellent materials, both for content and methods, that are useful in introducing specific economic concepts and understandings into a wide variety of business subject areas.



the student lives. It explains to the student that he is already a consumer of goods and services and that, if he holds a job of any kind, he is also a producer. The structure and operation of the business system itself is discussed briefly; but there is a conspicuous absence of any effort to relate the business sector of the economy to the operation of the total economic system.

It is recommended that the teacher begin the course with an over-all look at the operation of the total American economic system. The teacher might prepare for this by examining *The Wealth of Nations*, written by Adam Smith in 1776, and relating it to the Declaration of Independence of the same year. The connection between the two rests in the fact that the colonies were transformed into the United States during a period of time when the rationale for a free enterprise system was being developed. It is important for the student to realize from the very beginning of his course in general business that the American economic system is characterized by a greater degree of freedom for the individual and for the business unit than is found in other economic systems in the world. This greater degree of freedom has obvious advantages; but it may have also some disadvantages. For instance, where both the present and potential producers are free to undertake any given enterprise without knowledge of, and without reference to, what others are doing or planning to do, several of them may end up doing the same thing. The result might be a needless and wasteful duplication of effort and a loss to all when too many producers try to share the limited market. To extricate themselves from such a situation, the producers might resort to a vicious form of competition or at least to high-pressure advertising—to salvage their over-investment in the business; and this obviously could cause even more trouble.

It is also important for the student to realize the interdependence of the various sectors of our economy. He should realize from the beginning that the business sector with which his study is primarily concerned is only one portion of the total American economic system, and that it is very closely interrelated with the other sectors of the economy. A "circular flow" chart such as that shown on pages 18-19 in the Task Force Report will be useful in explaining the relationships between business and consumers.

The concept of economic *scarcity* should be stressed to help the student understand that our economic resources must somehow be rationed among the various alternative uses for their services. Some books do a good job of stressing the idea of division of labor, specialization, and the consequent interdependence of the members of a society. If the book in use does not do this, the teacher will need to supplement the text to show this high degree of interdependence in a modern economy.

The teacher should also stress the interdependence of the various functions of our economic system, such as the relationship between the marketing function and the production function. This can be done either by discussing what would happen to a large firm, such as General Motors, if it had no marketing organization or by drawing an appropriate analogy between the size of some of the businesses in the United States and the size

of the same kinds of businesses in a very small country which has a limited marketing area. It would also be appropriate to discuss some current news items regarding the effect of the European Common Market on the size and efficiency of business units in Western Europe. The student will readily understand that by combining the economic activities of several countries in Western Europe and reducing trade barriers between them, the Europeans have created a much larger area in which they can engage in free trade. This, in turn, is enabling them to increase the specialization of production and to use mass production techniques which would not be feasible in a more limited geographical area. A bibliography following Chapter 10 will offer the teacher some assistance in finding appropriate material for this portion of the course.

### *Money and Banking Services*

The money and banking section of the general business course normally deals with the functions of money and the types of money. These topics are usually covered well by the text. The student is introduced to the idea of demand deposits as a portion of our money supply through a discussion of his checking account. A good deal of exposition at a very elemental level is devoted to the technique of opening a checking account. This material, even though important, does not lead a student firmly into the realization that demand deposits constitute a major portion of the money supply of the United States and are subject to multiple expansion.

Some of the books contain an adequate discussion of the process by which checks are cleared among banks and also deal with other services which banks perform. The texts surveyed deal less adequately with other financial institutions in our economy. It is recommended that the class be brought to a full realization of the many diverse types of financial institutions which exist in the American economy. (Field trips to investment houses, pawn shops, and consumer or family finance offices, or personal interviews with the officers of such organizations, would be useful in broadening the student's understanding in this general area.) A common mistake is to take the entire class to one commercial bank and leave the students with the impression that the commercial bank represents all, or almost all, of the financial facilities in the economy.

Even in small communities the teacher will find several different types of financial institutions, and usually an officer of any of these institutions will be happy to talk with one or more students regarding the services his organization performs, both to individuals and to business firms and the community. It is particularly recommended that selected students visit not just a single commercial bank, but two—one chartered by the state and another chartered by the federal government. Students might visit also such other financial institutions as a savings and loan association, a Morris Plan bank, a real estate mortgage company, and an insurance company. In larger communities, it will sometimes be possible for the students to visit one of the twelve Federal Reserve banks or a branch of one of these banks. The operations of these bankers' banks are both interesting and enlightening to the students. One or more students can be

assigned the task of learning about the operations of the Federal Deposit Insurance Corporation. Almost all commercial banks are members of this organization and a local banker will be happy to discuss the importance of the FDIC to the individual bank depositors and to the business firms of his community.

The Report of the National Task Force on Economic Education deals effectively with the understandings which the teacher should stress in connection with the banking and monetary system. This report lists the following points which should be emphasized:

1. "... there is a connection (although not a rigid one) between the amount of money and the level of spending. Spending is done with money.
2. "... changes in spending can lead to either increases in output and employment or ... a rise in prices or ... both at the same time.
3. "Now we can see how changes in the amount of money in circulation (including bank deposits) are related to the level of prices.
4. "The most important kind of money in the United States is bank deposits—i.e., demand deposits on which people write checks.\*
5. "Bank deposits, against which checks can be written, result chiefly from the lending and investing activities of banks.
6. "Banks are not free to expand their deposits at will. (There are both legal and discretionary restrictions upon the expansion of bank credit.)
7. "It is this close tie between reserves and deposits which provides the monetary authorities with the means to control the lending and deposit-creating activities of the banks.
8. "The Federal Reserve can control the reserves of the commercial banks....
9. "It is the responsibility of the Federal Reserve to influence the banking system in such a way as to contribute to economic stability and to promote economic growth.
10. "A good deal of disagreement exists among the experts as to how effective this kind of monetary management can be in controlling total spending and thus the level of output and the level of prices.
11. "Virtually all countries desire to maintain some stock of gold since ... gold can always be used to meet a deficit in the international balance of payments.
12. "Both monetary and fiscal (budgetary) policy face difficult problems in trying to eliminate recession and unemployment on the one hand, and inflation on the other."

The teacher will find a brief discussion of each of the points listed above in the National Task Force Report, pages 48-51. Any good university-level textbook in economics will provide a more extensive discussion of these points.

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\*Incidentally, this is not to say that checks themselves are money, which some people carelessly do say. Checks are only orders to pay money, the money being the bank deposits.



Not all students in the general business course will have the ability to understand all the operations of the Federal Reserve System and the effect of contraction or expansion of the money supply upon the level of economic activity in the nation. However, some students in the class will have the capacity to understand these and many other complicated economic functions, and the teacher should attempt to reach this level of understanding for the more capable students. As pointed out above, the major criticism leveled at the general business course has been that the course tends to stop with a level of understanding related solely to the personal experience of students. This shortcoming need not be, for we know that many students are successfully taking courses in science and mathematics in which there must be some use of abstract reasoning. Students with these greater capabilities can also move from the level of personal or individual problems to the higher level of broad relationships in our total economic system.

### *Spending Wisely*

The general business course usually includes material relating to the problem of spending one's money wisely; but discussion too often is limited to the common purchases of the individual or a family. There is an advantage in starting at this point, for the student is already familiar with his own functions as part of a spending unit and he can easily observe his family functioning as a larger spending unit; but that is not enough. When the textbook stops with that level of learning, the teacher should direct the thinking of the student from the family unit to the business unit and to still larger groups of buyers, such as cooperatives or mail order houses, and on to governments as "collective" spending units.

Most businessmen would be happy to discuss with a group of students the various important purchasing functions of a business organization. Incidentally, such a discussion may reveal to the student a vocation heretofore unknown to him—that of purchasing agent.

The local, state, and federal governments are also significant purchasers of the goods and services of our economy; therefore, it is appropriate to discuss their spending practices and the economic implications of those practices, particularly as they are related to private business firms. This would raise interesting points concerning contract bidding and cost-plus contracts, which are commonly used by various units of government. The Report of the National Task Force mentions government spending in several important economic connections.\*

The teacher should diligently look for opportunities to guide the thinking of the student from the very small unit in our economy, such as the individual or the family, to the larger unit, such as the business firm or a unit of government. If the teacher properly directs the student's attention to the total purchasing function—from the viewpoint of the entire society—the student will come to realize that the selling function and the purchasing function may often be properly viewed as simply two aspects of the very

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\*See pages 25-61, *passim*, pages 37-39 and 46 ff.



same thing. Finally, he should be led to see that purchasing is related to the problem of production and that both of these may appropriately be discussed in connection with the broad questions of money supply and banking services. A close study of Chapter 3 of the Report of the National Task Force will reveal other important topics, such as resource allocation and micro-macro differentiation, which lend themselves nicely to the teacher's efforts to point out the interrelationships between the parts and the whole.

### *Credit*

The typical textbook approach to the matter of the use of credit is primarily from the personal point of view. The text material discusses the extent to which credit is used in making individual purchases and describes various ways in which the individual may buy on credit. Financial institutions which extend credit privileges to the individual are mentioned briefly, and instruction is given as to how to compute the cost of the various types of credit arrangements. The student is warned against abusing the use of credit.

Once the uses of credit by the individual have been explored, the student continues on to an understanding of the uses of credit by business firms and by the various units of government. It is significant that whole nations, as single borrowing units, use credit. It may be well to introduce to students the work of agencies such as the International Bank for Reconstruction and Development and the Export-Import Bank in extending credit on an international basis. Students may need to know also that many governmental agencies extend credit facilities to selected individuals in certain groups, such as veterans, small manufacturers, and farm operators. For example, the number of credit agencies operating in the farm areas has become significantly large. Because of this it is particularly important that young people in rural areas understand the functions and the significance of the financial institutions that extend loans on favorable terms to certain individuals in the farm population.

Some of the learnings not considered in the texts but which may appropriately be presented to students relate to: the effect of credit upon the standard of living of the American people, the importance of credit in the early part of an adult's life, the importance of credit to the business enterprise, the significance of credit in our total economic picture, and the effect of credit upon the stability and growth of the American economic system.

Because credit is one of the most important institutions in our economic picture, we have placed significant controls on its use, particularly in wartime. The student should understand why the government would wish to control credit during a period when the goods and services available to the consumer sector of the economy must be curtailed drastically in order to get sufficient quantities of resources directed into the production of goods for military purposes. The student should understand also why we, as a society, have decided to exercise some control over the use of credit in time of peace. He should be able to relate these controls to such economic goals as the stability and the long-term growth of our economic system.

Also, the student should recognize that these controls may interfere with the maintenance of another goal of our society, such as freedom or justice. In the case of credit controls, the individual bank is less free than it would otherwise be to invest its funds in any way it desires; the individual family is less free either to spend or to save; and serious problems of justice or equity may arise from the granting of favorable credit terms to certain groups and not to others.

The more capable student can understand the interrelationships between the management of our federal debt and credit conditions in the American economy. This type of student could be assigned the task of learning the relationship that exists between the Treasury Department and the Federal Reserve System, and how this relationship is connected with the credit aspects of our economy. The assignment can call also for showing the connection between that relationship and the goal of national economic growth.

#### *Savings—Investments*

The savings-investment section of the general business course has traditionally dealt with the decision of the individual whether to save or to spend certain portions of his current income. The opportunities for the individual to invest his money in United States Savings Bonds, in corporate bonds, and in common stocks are discussed. However, the discussion is usually limited to the decision of the individual on making an "investment." For example, the textbook may contain a section dealing with the decision of the individual to "invest" in a home and pointing out some of the important questions relating to home ownership.

The weakness of this section of the ordinary text from the standpoint of economic education is again that the subject is almost never moved beyond the individual point of view; and again it is a relatively easy task to lead the student further. He will readily grasp the idea that business firms may annually be faced with the question of whether their net earnings should be paid out as income (dividends) to the owners or be re-invested in the firm. The decisions of many business firms to re-invest a portion of their profits make these firms collectively a major investment factor in the economy. Also beyond the textbook, the student should be led to see the relationship between the decisions of individuals to save part of their income by making deposits in savings accounts at banks and the decision of a local business firm to build a more modern plant and equip the plant with more efficient machinery. The very close relationship between the savings of individuals and the investments of businessmen should be stressed.

There are additional ways of achieving depth in economic education about savings and investments. The economic effects of the decision of an individual to invest in a home (a consumer good) can be compared with the economic effects of the decision of a business firm to expand its plant (a capital good). A distinction can be drawn between the so-called investment of an individual through the stock or bond market (merely a transfer operation) and the investment of a businessman when he builds

a new factory (a creative operation). A distinction can be drawn also between the economic effect of a decision by a person to build a home and the economic effect of a decision instead to purchase a home that was built in some previous period. The fact that business firms may "invest" in other firms, as is typically the case with banks and savings and loan associations, can be pointed out.

The student's viewpoint may well be broadened to include a study of the relationship between the level of investment in our economy and such important factors as the level of our national income, the level of employment, and the rate of economic growth. The investment process is particularly important in explaining why the level of economic activity in our capital goods industries fluctuates more widely than our general level of economic activity. Experience has shown that students are always interested in such problems as depressions and booms, and it is easy to show the mutual interrelationships between changes in the level of capital investment and fluctuations in the level of business activity.

In our society decisions to save and to invest are made largely by individuals and business organizations operating within the framework of a high degree of freedom. In other countries these decisions are more directly and more greatly influenced by government policy. There the freedom of the individual and the freedom of the business organization to make decisions regarding savings and investments have been almost entirely sacrificed for other goals which the leaders of the society consider more important. For example, in Russia the desire to build up the productive capacity of the nation has become a goal so dominant that individual consumers are seldom given an effective choice between consumption and saving. In fact, in Russia the level of consumption has been arbitrarily held to a very low level in order to allow a high rate of investment in those industries which the government wants to encourage. Such a decision by a totalitarian government is an important factor in determining how much economic growth shall be achieved and whether the people will enjoy national power and security at the expense of economic freedom.

#### *Insurance for Economic Risks*

In the unit dealing with insurance in the typical general business course, primary attention is given to the kinds and purposes of insurance purchased by the individual. For example, there is usually a chapter on automobile insurance, a chapter on other types of property insurance, and a chapter on life insurance. Some attention is given to the problem of analyzing the insurance contract and to the techniques by which an individual is able to compare the costs of insurance coverage from two different sources. This section of the course usually devotes some attention also to pensions and social security plans; and usually some distinction is made between the type of risk which the individual may want to assume and the type of risk which he may want to insure against.

From the standpoint of economic education, the major deficiency lies in the failure of the section to analyze some of the social policy questions



associated with insurance programs and principles. For example, little if anything is said about the increasing participation of government in insurance activities. This trend raises again the question of the advisability of the expansion of public services. A question that will help to reveal the differences between true risk-sharing and government-forced transfers is whether "unemployment insurance" is really insurance in the more common sense of the term.

The student needs to know some of the "facts of life" about insurance. For a risk to be insurable by a private organization, certain rules of probability must apply. It is normally necessary that the probability of the occurrence of the event insured against be predictable from past history through mortality tables and other types of probability tables used by insurance companies. Another point is that it would be economically unsound for one insurance company to assume a very large part of the total risk where en masse losses may occur. The relatively small premium paid by many policyholders provide the insurance company with sufficient funds to indemnify the actual large loss of one of the policyholders—a kind of economic cooperation.

The teacher may find it quite easy to draw in a resource person to discuss the Old Age and Survivors Insurance program and will certainly find many local insurance men willing to discuss the services they render. Representatives of those federal agencies that are engaged in insurance services will also be available as resource people. In rural areas, crop insurance is quite often held by farm owners. This fact can become the basis for classroom discussion of several economic questions. One such question is whether crop insurance should be provided by private firms rather than by a government agency.

#### *Travel Services*

The textbook unit on travel services in the general business course is usually written, like most of the other units, at a very elementary level and from the personal point of view. Almost no consideration is given to such subjects as national policy concerning various modes of transportation, subsidies provided to transportation agencies, and the uses made by business firms of various types of transportation services.

The economics of transportation is so important in American economic life that a special effort should be made to introduce some economic concepts into the study of travel services. The relationship between the development of transportation in the United States and the development of industry can be shown through an historical approach. For example, it could be made obvious to the students that the population centers first emerged at points on the rivers and at seaports. Later, as railroads developed, cities grew at points of intersection of the major systems. Even today some cities are growing largely because they are located well with respect to transportation facilities. In some parts of the country, pipeline transportation has also been important; and in other parts, river or canal transportation has been a significant factor. It is appropriate for the



teacher to discuss the value of a specific economic resource in terms of its location. Transportation obviously is an important factor in getting goods to the right place at the right time and in a usable form.

The study of the growth of the railroad system affords a good opportunity to discuss the beginnings of the monopoly problem in America. The railroads could not be appropriately financed within the capital resources of any one individual, or even within the resources of a small group. This situation gave rise to the concept of limited liability for investors under the corporate form of business organization. By this device a large amount of capital could be brought together under the control of one organization. This situation led to the rise of monopolistic tendencies that produced a long and continuing series of regulatory legislation including some of the "Granger" laws, the Interstate Commerce Act of 1887, the Sherman Anti-trust Act of 1890, the Hepburn Act of 1906, the Transportation Act of 1920, and many others.

Today a complex transportation system exists in America, and it is important that the student be prepared to evaluate national policy toward the need and regulation of transportation facilities. Significant subsidies have been made to commercial and industrial centers using riverboat transportation; and our airports and airlines have received extensive subsidies from local, state, and federal units of government. It may be fruitful to contrast the public policy on transportation in an advanced nation with the comparable policy in an under-developed country, pointing out that in almost every under-developed nation of the world, significant investment is still needed in roads, airports, and waterways if the country is to develop rapidly on a commercial and industrial basis. Students can easily see the many ways in which the availability of transportation is important to the commercial and industrial enterprises found in any local community. Problems of zoning and of city beautification can be discussed starting with the transportation problem.

In the textbooks surveyed, even descriptions of the uses that business makes of transportation services is dealt with very superficially. The important role that transportation plays in determining the location of business enterprises, both locally and on a broader geographical basis, is usually ignored. If any significant amount of economic education is to take place in this unit of study, the student must progress fairly rapidly through the material dealing with transportation from a personal point of view to a consideration of other aspects of the transportation problem.

A large amount of information is available for classroom use from certain regulatory agencies, such as the Interstate Commerce Commission and the Civil Aeronautics Board, and from organizations such as the American Association of Railroads, the American Gas Association, and the American Petroleum Institute. Also, much formal testimony relating to our national transportation policy is available for the asking from the student's congressman. Teachers and students will find that they can obtain valuable assistance from the transportation department of a corporation in planning a stimulating field trip. Representatives of trans-

portation firms are usually amenable to talking with teachers or with students about many of the economic aspects of their industry.

### *Communication*

It is relatively easy in the unit on communication services to stress some broad economic implications by showing how specialization of labor and large-scale production depend upon efficient communication. The historical approach, as in the section on transportation, can easily be adapted to show the relationship between the development of our economy and the increasing demand on the part of the public for improved methods of communication. Every child knows the story of the pony express, and most children are familiar with the story of the development of the telephone and the early development of air mail service.

One of the pertinent national policy questions in the newspapers almost every year concerns the deficits incurred by the Post Office Department. It is easy to get the student to discuss the pros and cons of a system which subsidizes certain classes of mail such as magazines, newspapers, and advertising materials. It is also appropriate to discuss whether or not communication agencies should be owned by the government, or more specifically whether they can be operated more efficiently and more in keeping with our national objectives if they are privately owned. One of the subjects currently in the news is the proposed development of a satellite system which will offer international communication on a vastly improved scale. The student could be asked to evaluate the alternatives of ownership of such a satellite system: wholly by one company, such as American Telephone and Telegraph; joint ownership by private companies and the government; or complete ownership by the federal government.

It is also appropriate to discuss the relationship between the level of communication services available to us and the level of our standard of living. The student should readily see that production and distribution of goods and services would be impaired drastically if business organizations were unable to communicate quickly and economically with each other. It will probably be enlightening to discuss the variety of communication services used by businesses. The textbooks surveyed do not give much attention to the special types of communication services used largely by businesses as distinguished from the more common types used by the individual consumer.

### *Business and Government*

The business and government unit of study in the general business course usually considers some of the economic characteristics of a "mixed" free enterprise economy, but fails to point out the comparative significance of those characteristics. In this connection, the teacher may need to compare the American economic system with other types of economic systems existing in the world today.

In the books surveyed, the usual treatment is to describe the various types of business organizations, and perhaps to add a chapter devoted to the American worker. In the latter, some aspects of labor organizations

are discussed, and some of our institutions, such as collective bargaining, unemployment insurance, and minimum-wage legislation, are reviewed; but more could be said about the labor movement. In extending that treatment, the teacher will find that the historical approach is particularly useful. The problem-type approach is more useful in dealing with current problems, such as right-to-work legislation and the desirability or undesirability of unions engaging in strikes and in political activities.

The relationship of government to business (and vice-versa) is extremely important and is usually very interesting to the student. Unfortunately, this area of thinking is often colored by emotional judgment, and because of this the student needs to be taught to analyze the problems calmly, clearly, and logically.

If he is to deal effectively with this problem of the relationships between government and business, the teacher needs a good understanding of the importance of competition in the theory of price determination in a free market system; and he needs to know about the impact of automation, unemployment, national defense, and the combined whole of government expenditures upon the general economy.

The explanation of how a firm behaves under certain assumed conditions is normally called the "theory of the firm." It is obvious that not all segments of our economy are highly competitive. For example, in the transportation unit, the teacher will have established the point that railroads generally have some, although a lessening, degree of monopolistic power. Also, in the communications unit, the teacher will probably have established the idea that it is not economical to have more than one telephone firm operating in any given city. It should be easy, therefore, to broaden the units on transportation and communication by discussing governmental regulations as a substitute for competition in these areas of our economy.

The teacher will, of course, want to point out that no firm has a perfect monopolistic position. For example, the individual consumer who wishes to use a communication service usually is free to use the telegraph or the postal service or even his personal automobile rather than the telephone. Furthermore, the telephone company in any area must compete for the consumer's dollar which could be spent on other goods and services and must also compete for investment funds provided by savers in our economy. Thus, even an agency which appears to be a monopoly and whose rates and services are regulated by government is still in competition for the consumer's and the investor's dollar. In this case, however, the degree of competition may be quite different from that experienced by the corner grocery store and by other business firms with which the student will be familiar.

Another type of semi-monopolistic situation that might well be discussed is the one characterized by the existence of only a few firms, each of which bases its price, and often the quality of its product or service, in part upon the price or quality of product of its competitors. In this connection, the steel industry and the automobile industry and many other industries in the American economy may be used as examples. The eco-



conomic term "oligopoly," meaning "few sellers," is applied to this type of industry situation. Therefore, an oligopolistic industry is one characterized by a few sellers. Competition in this type of industry is often intense but is of a different type from the competition which exists, for example, among wheat farmers and in other industries where there are thousands or hundreds of thousands of suppliers. Competition in the oligopolistic industry is likely to take the form of rivalry in advertising or in product differentiation rather than in price cutting. The student can observe the behavior of many industries of this type by merely reading the newspapers. Some of the newspaper and magazine articles are critical of the non-price forms of rivalry, charging that effective competition does not exist in such an industry; and other articles are in defense of the oligopolistic situation, pointing out that a very vigorous competition of another type does exist. This difference of point of view is the basis for a good debate.

The teacher who expects to go very far on an analytical basis into the controversial issues concerning business-government relationships will be well advised to study a good elementary economics textbook if he is not already substantially grounded in the subject of economics.

In concluding a course in general business, it is often appropriate to return to an over-all evaluation of our own economic system. The student will have learned during the course that the American economic system is a "mixed" system in that it contains many elements of free enterprise along with some elements of government control of business. It may be important, however, to leave the student with a full consciousness of the very high standard of living which Americans have achieved under our type of economic system. It may be well to stress the significance of the fact that the people of the United States, with approximately one-sixteenth of the land area of the world and with approximately one-sixteenth of the population of the world, produce and consume more than one-third of all the goods and services available in the world. In the BIBLIOGRAPHY following Chapter 10, references are given to a number of booklets that discuss the characteristics of the American economic system and also to some books and other materials that compare the American economic system with other prominent economic systems of the world.



## CHAPTER 6

### *Consumer Economic Problems\**

The high school course in consumer economic problems can be used to develop understandings concerning the operation of the American economic system. One of the textbooks surveyed in this field contains considerable material relating the economic role of the consumer to the total economy. This text contains also a section relating the activity of the consumer to certain governmental agencies and a section describing many of the economic principles that can be appropriately introduced at the secondary school level.

#### *Shift Away From Techniques of Buying*

There seems to be a current tendency to approach consumer economic problems from a broad point of view, and to put less emphasis than formerly upon the techniques of buying. In some texts, for example, material intended to teach the consumer how to make a good choice in his purchases is being relegated to an appendix or is otherwise being given less prominence. On the other hand, increasing attention is being given to the economic principles that relate to consumer problems.

#### *Comparison of General Business and Consumer Economic Problems*

Many of the units that have already been discussed in the preceding chapter dealing with the general business course also are included in the course in consumer economic problems. The typical textbook in the general business area devotes a considerable amount of space to the subject of consumer economic problems. The approach in the general business course to these problems is usually on a more elementary level than the approach in the course in consumer economic problems. The reason for this may be that the general business course is often taught at the freshman or sophomore level whereas the course in consumer economic problems is more likely to be taught at the junior or senior level. Moreover, the economic foundation for a systematic approach to the more complex relationships between consumer expenditures and the level of income, employment, and prices is not as adequately laid in the general business course as in the consumer economic problems course. Because the typical consumer economic problems book is more likely than the general business textbook to begin with an over-all view of the characteristics of the American economic system, it is possible to relate consumer expenditures to the total economy with greater ease in the consumer economic problems

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\*Some of the excellent materials that are presented in Chapter 9 for use in introducing specific economic concepts and understandings into the bookkeeping course may be quite useful also in this course.

course. Topics which are usually included in both the general business course and the course in consumer economic problems include bank services, credit, savings, investment, insurance, social security, buying a home, and personal income taxes.

The person interested in advancing economic education through the course in consumer economic problems is likely to note that these problems often deal with only one aspect of the total economic system. He may note further that since the student is already a consumer, he naturally understands a great deal about the role of consumers in the economy. Nevertheless, it may be a wise procedure to begin the drive for more economic education in this connection, as in others, with what the student already knows and then build on his experiences as a consumer. In any event, it is obvious that economic education for any purpose, and particularly for building citizenship qualities, must move beyond the level of the consumer and deal with the economy as a whole. That is to say, the student who gets his economic education from a consumer economics course should be led to understand the operation of broad economic forces. These include the forces related to business investment expenditures and government expenditures, as well as those that impinge more directly upon the consumer sector of the economy.

#### *Micro- and Macro-Economic Problems*

The broad economic aspects of the consumer economics course relate primarily to the consumption problems of the total society. If a student approaches economic problems from the point of view of the individual or from the point of view of the individual firm, he is taking the "micro" approach. If, on the other hand, he focuses upon problems from the point of view of total society, he is taking the "macro" approach. One of the most important problems in the area of macro-economics is the problem of recognizing and understanding the forces which determine the levels of national income, employment, and the prices in the economy. Economists usually begin this aggregative analysis by breaking the total economy down into the consumer sector, the business sector, the governmental sector, and the international sector.

Of these sectors, the consumer sector typically represents approximately two-thirds of the total purchases of goods and services in the economy. One of the major interests of the economist is to study those forces which tend either to increase or to decrease the level of consumer expenditures. He spends a great deal of time discussing such concepts as aggregate demand and total effective demand. Then he moves on to the concept of elasticity of demand, which relates changes in price to the consequent changes in the quantity of a good or service purchased in a given time period in a given market. The economist is also interested in advertising, sales promotion, and other types of selling activities which tend to change the level of expenditures for personal consumption. It has already been noted that economists are concerned with the various types and functions of credit and pay particular attention to the controls exercised by the Federal Reserve System and other semi-governmental agencies over

credit operations. There are also direct controls over consumer expenditures which are exercised in certain periods, especially in wartime. Most students, no doubt, have heard their families discuss the problems associated with rationing during World War II. As the teacher develops the course in consumer economic problems, he should pay particular attention to opportunities for relating the effects of consumer expenditures to the level of expenditures in other sectors of the economy and to the levels of employment and prices.

### *Government Policies*

There are few, if any, courses in the high school curriculum that are as effective as the consumer economics course in providing a framework for the discussion of governmental policies. For example, when one notes that we use government to provide us with streets and highways, public school systems, and fire and police protection, it is obvious that government services are of great value to the consumer. It is easy for the teacher to focus the attention of the student upon the relationship between these services and the taxes necessary to pay for them. We use government also to provide for the defense of the nation, to inspect drugs, to regulate the securities markets, to enforce antitrust legislation, to provide mental hospitals, and to do many other things that in general tend to contribute to the welfare of the consumer sector of the economy. However, we as a society face an eternal problem of continually re-evaluating our decisions as to which services we want performed for us by government and which ones we want to be performed for us by private enterprise or by ourselves directly. The value of this course in developing good citizenship will center largely around improving the understanding of the student with respect to the relationship between the values of various types of government services and the costs of providing them—usually through taxation.

The consumer economics course also offers an excellent opportunity to relate the farm program to the consumer sector of the economy. It is obvious that the prices which consumers pay for farm commodities are related to the production controls and price supports in the farm sector of the economy. The teacher may lead the student to understand the relationship between governmental programs designed to aid a specific sector of the economy and those designed to promote the welfare of the total society. In all of these cases, the question arises again as to the relative importance of economic freedom, security, growth, and equity.

### *International Trade*

Another subject area in which the consumer has real interest is international trade. The student will quickly realize why producers of commodities often desire protection from foreign competition in the form of either import tariffs or import quotas. This protection may be highly desirable from the producer's point of view and perhaps, in special cases, from the point of view of the total society. However, it generally has the economically undesirable effect of increasing the prices which the consumer must pay for these goods or services, and it often results in decreas-

ing the total quantity of goods or services available to the consumer sector. This point may be more easily understood than why it is that a national system of tariff protection will produce real economic difficulties for exporters.

Also in connection with an analysis of the problems of the American consumer in relation to other countries, it is possible to introduce considerable material on comparative economic systems. Consumers in this country have a great deal more income and are generally freer either to spend or to save this income according to their own personal desires than are consumers of other nations.

### *Resources*

Finally, it may be well to cause the student to compare the value of current consumption with that of future consumption. The conservation of petroleum resources, the conservation of the fertility of the soil, and the conservation of timber are examples of different kinds of economic problems in which alternative choices must be made between immediate consumption and future consumption. The entire problem of conservation of resources can be opened to exploration through a course in consumer economics.

In summary, it seems fair to say that the textbooks reviewed in consumer economic problems do a better job of introducing important concepts useful in achieving economic literacy than do the textbooks in some of the other courses in the business curriculum of the high school. Perhaps this is not surprising because the books for the consumer courses have the term "economic" or "economics" in their titles. It may be said also that the current textbooks on consumer economic problems are far superior to those of a few years ago in terms of their ability to impart a high quality of economic understandings.



## CHAPTER 7

### ***Business Law\****

In our American free enterprise system we have certain rights which are cherished by the people. These rights include the right of *freedom of contract* and the right of *private ownership of property*. It is basic in our system and vital to personal freedom that the individual has the right to sell, to obtain income, and to contract with other individuals or with business firms. The individual has a right also to use his income in purchasing property, to hold title to the property, and to receive income from the property because property rights bear crucially upon personal liberties. As a society, however, we have seen fit to place certain limited restrictions on the rights of private property owners. One type of restriction sometimes placed on property is zoning ordinances. These are used only when community needs are considered paramount to the rights of the individual. Generally speaking, no other economic system has placed as high value as ours upon individual rights. These rights, of course, would be meaningless without a system of law to facilitate the exercise of them. Putting it this way emphasizes the positive aspect of law—the facilitative rather than the preventive or punitive side of it. Every law has a positive side. The law against theft, for example, can be viewed as a device to enable people to keep what they own rather than to prevent people from taking what they want from others.

Our legal system is a very complex one, to be sure, but it is so vital to the efficient operation of our economy that it must be given adequate attention.

#### ***"Micro-" Versus "Macro-Law"***

If we divide the field of law into two broad areas just as we have divided the field of economics, we would have micro-law on the one hand and macro-law on the other. That type of law which relates to contracts between individuals, contracts between firms, or contracts between an individual and a firm (dealing with the smaller relationships in the economy) might be referred to as "micro-law." The other type of law, which may be called "macro," deals with the total economy or with the economy vis-a-vis the individual firm, the individual person, or a special group of persons. For example, in this latter area we have anti-trust legislation, fair-trade laws, and "right-to-work" laws, all of which are designed to increase or protect the privileges of certain "other people." This area is becoming increasingly important. The traditional business law course in

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the high school curriculum, and even in the university offerings, has dealt primarily with micro-law, relating particularly to contracts, bailments, debtor-creditor relationships, negotiable instruments, and wills. The business law course in the university is rapidly changing to a course which will consider also macro-law; and it is probable that in the near future we shall see a similar modification in the type of business law course introduced at the secondary school level.

#### *Law and Order in Our Society*

It is quite apparent that the business world, as we know it, takes law and order for granted. Every time a businessman borrows money, orders goods for future delivery, extends credit, or agrees with another business firm to carry out certain obligations, all parties concerned proceed on the assumption that our society will force the individual, if necessary, to comply with the agreements into which he freely enters. In fact, it is almost inconceivable that a system such as the American economic system could operate without the assistance of a well-developed code of law. There are good opportunities for introducing economic understandings in the micro portion of the law course by stressing the importance of the legal system to the successful operation of the business economy and by pointing out the significance of certain legal rights which have been established and maintained in the American free enterprise system.

#### *The Law of Total Society*

In recent years there has been a tendency for the local, state, and federal units of government to exercise an increasing degree of control over the economic system and over organizations and individuals in the economic society. Subsequent to the creation of the Interstate Commerce Commission in 1887, legislation of the federal and state governments tended to result in increasing control over those types of business organizations considered to be monopolies or semi-monopolies. We have already noted that the federal government has often intervened in the workings of the economic system to assist certain groups in the economy. The Wagner Act of 1935, which created the National Labor Relations Board, identified a number of practices by management that were considered "unfair" when dealing with either individual laborers or organized groups of laborers. The Taft-Hartley Act extended the idea of unfair practices to apply as well to the activities of labor organizations; and we now have a rather complex system of governmental restraints and encouragements applying both to management and to labor organizations.

The federal government has entered the field of regulation of securities and exchanges and is also exercising regulatory powers over certain foods, drugs, and cosmetics. Within recent years the Federal Power Commission has begun to control certain aspects of the interstate transmission of natural gas. The Sherman Anti-trust Act of 1890 with all of its later modifications has become vitally important to business firms, including both the perpetrators and the victims of unreasonable restraints on interstate and foreign commerce. This legislation and its enforcement may be said

to have greatly influenced the total economic environment in which we live.

Since the depression of the 1930's, an almost endless series of changes has been effected in governmental units attempting to "solve" the farm problem. It is apparent, however, that many of these governmental agencies were unable to agree even on a definition of the problem, and that many citizens have an uneasy feeling that the work of one agency is being offset partially or wholly by that of another governmental agency.

It is apparent that governmental regulations are more necessary, or at least are more important, today than they were twenty years ago and that citizens must be prepared to evaluate the degree of governmental participation they find in economic affairs. Citizens must be constantly re-evaluating these programs and striving to produce improvements in them. In the long run, the wisdom of any changes made will depend basically upon the economic literacy of the mass of voters in our society.

In addition to legislation in the area of macro-law, certain administrative bodies exist, such as the Interstate Commerce Commission and the Federal Communications Commission, which are a combination of administrative, legislative, and judicial units. The law in many of the cases brought before these bodies turns out to be in part whatever the regulatory commission says the law is. This system may produce results that are sometimes socially and economically undesirable. Each administrative decision tends further to define the law in a particular area, and it is becoming increasingly difficult for the businessman (and the average voter) to understand some of the workings of these powerful administrative commissions. A substantial improvement in economic literacy would certainly reduce the extent of popular misunderstandings.

In addition to all of the legislative enactments and administrative decisions that we have for governing business practices, certain codes of personal ethics and certain codes of business morality act as guiding, restraining, or regulating forces in the economic system. It is apparent, for example, that the president of a corporation today is expected to fulfill the role of a "good citizen" in the community, even though there are no legal requirements which define this responsibility. Businessmen are sometimes restrained in setting prices not by legal restrictions but by public opinion—sometimes supported by, or perhaps molded by, the expressed views of certain governmental officials.

It is the law of our total society (macro) which is most susceptible to economic treatment. In fact, it is not too much to say that this type of business law can hardly be taught effectively in the absence of a good understanding of the economic principles which underlie much of this "public affairs" legislation. The teacher who wishes to introduce economic understanding into the business law course will want to include a section dealing with macro-law.

## CHAPTER 8

### *Advanced General Business*

Recommendations concerning the introduction of economic understandings into the general business course, which is normally taught at the freshman or sophomore level, are given in Chapter 5. We turn now to the course that is being offered in some schools at the junior or senior level. It is called "advanced general business."\*

For purposes of analysis of the uses that can be made of the advanced general business course to develop economic understandings, it may be assumed that the typical high school curriculum will permit no more than a total of four or five units of work in the area of business education. It may be assumed also, in the absence of any empirical evidence to the contrary, that the student who has taken the course in general business will have taken also one or more courses in the skills area or will have taken a course in bookkeeping. A further useful assumption is that the student who takes the advanced general business course in the high school curriculum will probably not take also a course in consumer economics or in general economics. The only necessary assumption, however, is that the student entering the advanced general business course will have completed a course entitled general business.

#### *Textbooks and Course Content*

The content area of the advanced general business course is not as well defined as that of the traditional courses entitled general business, consumer economic problems, business law, bookkeeping, shorthand, and typewriting. The advanced class probably will have two types of students: (1) the student who regards his high school training as terminal, who expects to enter the business world in some capacity, and who desires to gain an understanding of the operation of the business system and of the economic system in which business operates; (2) the student who is considering a university program in business and would like to take a course that would give him some introduction into the type of program he expects to enter at the college level.

If the student will be enrolled for one whole year in the advanced general course, it will be possible to pull into the course such areas of learning as elementary accounting, statistics, business law, economics, management, marketing, and finance. If the course could be organized along the lines we are suggesting, the student would be well advised not to take

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separate courses in business law, consumer economic problems, etc. The advanced general business course would be an integrating course at the senior level for pulling together much of the material formerly incorporated in separate courses.

We have found no textbook in this area containing the type of material that we believe should be incorporated in the advanced general business course. The absence of such a textbook may be due to the limited market for materials in classes with small enrollments, but it seems more probable that such a book has not been written because there was not a clear understanding of the function of this particular course in the curriculum of the high school.

### *The Approach*

The advanced general business course should be much more analytical than the introductory general business course and should, of course, involve a higher level of understanding. The comments that were made concerning the introductory course suggested that the course should become less descriptive than it has been in the past. Yet, the course at the freshman and sophomore levels in high school could hardly be as analytical as a similar one could appropriately be at the junior and senior levels. The higher-level approach should be not to give students the answers, but to give them an analytical framework in which they can effectively work out answers to problems of varying kinds in the business and economic spheres of life. We agree with the assertion made among the recommendations of the Report of the National Task Force on Economic Education that "The most important step toward understanding in economics—as in other branches of knowledge—is the replacement of emotional, unreasoned judgment by objective, rational analysis." We would, however, broaden this statement to say that the same sort of rational analytical approach is needed specifically for courses in accounting, statistics, management, marketing, finance, and production.

### *Economic Understandings*

The course in advanced general business should begin with a thorough study of the characteristics of the American free enterprise system. This introduction should include some material on comparative economic systems, so that the student can gain an appreciation not only for the freedom granted to the individual and to the business organization in the American economy as compared to the restrictions placed upon the individual and business organizations in many other societies, but also for the greater economic efficiency claimed for our system. The teacher may well devote from six to eight weeks to this introduction in order that a good foundation can be established for the consideration of the various economic functions of business.

Regardless of the relation of economics to business or of business to economics in the "family-tree" setting, it should be clear that any real understanding of advanced general business must rest upon a foundation that includes (1) a good understanding of the economic environment in

which the business firm operates and (2) enough economic theory to enable the student to understand the economic aspects of the material included in later sections of the advanced general business course.

#### ***Business Enterprise in the American Economic System***

Once the basic economic foundation has been laid, the role of the business enterprise in the total economic environment should be studied. First, consideration may be given to the business enterprise as a socio-economic organization devoted to the accomplishment of certain goals of its own. The business firm may have several diverse objectives, such as profits, prestige, and power, and it may be motivated in several ways to achieve its objectives; but there can hardly be any doubt that the basic motivation is the expectation of making a profit. Obviously, the firm must produce a good or service which is desired by the consumer, or one which the consumers can be induced to want, if the company is to survive. Furthermore, it must do this at a cost that is less than the price at which the product can be sold in the market. This type of analysis leads to a discussion of the way a business firm is started, the way it is organized, the way it selects and trains personnel, defines its product line, produces its goods or services, markets its product, finances its operation, and attempts to grow and develop along with the environment in which it operates. It is not easy for a business to do all of these things successfully; but it is vitally important that continuing efforts be exerted along all of those lines.

#### ***An Insight Into the Managerial Process***

The academically talented student in high school who takes a course in business or in economics should gain some insight into the functions which management performs in a business organization. If this student enters the business world, he may reach the managerial level; and in that event certainly it would be well for him to have had some prior insights into the nature of his work. In any event, the general course in business or in economics should help him to determine whether he wants to aspire to this type of position in business. The course should give him information relating to the type of education he might need and to the personal qualities required for success. It should also introduce him to the multifarious nature of the competencies and the attitudes he needs to develop.

It is generally recognized that the manager of a business organization performs a total function that is much more than just work in the usual sense. *His work is accomplished primarily through other people.* Therefore, if he is to be successful, he must have an ability to work with people and to understand them; and he probably needs to enjoy working with them. In other words, the successful manager needs to have a good personality and a spirit of cooperation. The high school course should make this point clear.

In addition to his need for a high level of aptitude in planning, organizing, directing, and controlling in connection with his business affairs as

such, the business executive is expected to have a broad education and a broad understanding of the backgrounds and interests of others. He needs to have an appreciation of the responsibility of business for the important role it plays in the total economy. The modern executive no longer operates on the assumption that profit maximization is the sole objective of the business firm. He must realize his responsibility for helping to maximize the utilization of resources not only in his firm but also for the economy as a whole. Every business, especially the large corporation, is expected to exercise a positive role as a good citizen in the economy. A significant portion of the executive's time may be devoted to such activities as directing the United Fund Drive, serving on the Boy Scout Council, and working with the local Chamber of Commerce. The executive is expected to recognize certain responsibilities which his firm has to its customers, to its employees, and to the community. No longer is the business executive able to consider himself a representative solely of the stockholders. Considerable public pressure is brought to bear on those executives who appear to be working contrary to the interests of the total society.

*Thus we see that the true nature of a manager in business revolves around his ability to work with people while performing the functions of planning, organizing, leading, and controlling; and he must never overlook his responsibilities to the community in which he lives.*

#### ***The Challenge for Business Education***

If the academically talented student is introduced to the concept of the managerial process in his first, or second, course in general business, he might well decide upon a career as a business manager. However, if he is led by the nature of the textbook used to conclude that a program in business revolves around the problem of improving his ability to be a wise spender of money, he is unlikely to be challenged to select business as a career.

Also, if the high school student's idea of economics as a career is based on his experiences with the typical course in consumer economics, he is unlikely to see the tremendous possibilities for economists which exist in the Federal Reserve System, the International Bank for Reconstruction and Development, the various departments of government, the universities, the economic research organizations, the economics departments of major corporations, etc. Almost all of these challenging jobs involve looking at economic problems from the viewpoint of the total society. They require a high level of training in economic analysis, and they require that the job-holder approach his problems in an objective and logical manner.

High school courses with proper breadth in business and economics can open the eyes of the student to careers in these fields. Professors in schools of business at the university level are sometimes critical of the general business course, the skill courses, and even (perhaps to a lesser extent) the economics courses taught in our high schools. This criticism stems largely from the belief that these courses as they are now typically taught lead the student to erroneous conclusions regarding the true nature and purposes of university programs leading to careers in business or



economics. As these programs at the high school level are improved by the addition of economic analysis and broader perspectives in business, this criticism will be reduced. In fact, it seems most appropriate that the high school teacher of business and economic subjects should be regarded by the university professor as an ally in the program of preparing young people for careers in those fields.

#### *The Creation of a Business Organization*

The section of the course on business organization presents an analysis of how a business firm comes into existence. In it the various forms of business organizations, including the advantages and disadvantages of each, are studied. Students should learn that in America the individual has greater freedom to start a business organization than he does in many other countries of the world. At this point a brief introduction should be given to the various functions of business, and some time should be allocated for discussion of similarities and differences among the various kinds of business units.

A good exercise for the student would be to conceive of some type of business enterprise he might want to undertake. Then he would think about the way in which he could best set up the organization and about the problems he would face in trying to get the business started. Another good exercise would be for the student to talk with some businessmen in his community who have recently started businesses. The student could thereby learn some of the reasons why a man wants to start a business for himself and some of the problems that are encountered. It should be observed also that businesses which are already in existence are constantly changing and that it is necessary for them continually to re-evaluate their line of products, their pricing policies, their marketing strategy, their method of financing, etc. Much of the reasoning involved in these exercises will be found to rest on broad economic considerations. Three weeks of the course should be allocated for this section.

#### *Finance*

When a business is to be formed, one of the first problems which must be solved is the problem of financing the enterprise. The student should spend from two to four weeks of time dealing with the over-all problems of business finance. Most of this time should be devoted to the subject of financing new proprietorships and partnerships, but some time should be given to the problems of financing a new corporate enterprise and to the finance problems of a business already in operation. Questions such as how to finance a fluctuating inventory, how to finance an expansion in plant, and how to finance the purchase of a new truck must be faced every so often by businessmen who operate going concerns. Study of the problems posed by questions such as these can well be related to the national goals of economic growth and stability.

#### *Production*

Once the individual has decided to establish a business enterprise, he faces the problem of producing efficiently the good or service which he



hopes to merchandise. The section devoted to production in the advanced general business course should give some consideration to all of the kinds of problems encountered when one begins to produce a good or service. There will be no urgent need for a detailed study of plant layout, for time-and-motion study, nor for other aspects of the more advanced production course. Rather, what needs to be accomplished is an understanding of the general problems which must be considered when one wishes to produce a good or service. The production problems actually encountered in business, of course, are of almost infinite variety, and no one could expect to study all of them in a general course; nevertheless, a study of the production phase of the business operation in general terms is very important and justifies attention for at least two weeks, and preferably three, in a one-year course in advanced general business. This section of the course could well include some discussion of the principle of "combination of the factors of production."

#### *Marketing*

We recommend that four weeks of the advanced general business course be devoted to a study of the marketing function. Once a good or service is produced, it must be sold; and it must be sold efficiently enough to keep the costs of marketing within reasonable proportion to the price of the product. Probably more businesses fail because of inefficient marketing than because of inefficient production techniques. Many men who decide to enter a business already have an idea as to what product they wish to produce; and many of them have had some experience in the production process—experience gained perhaps by working for another organization. However, many of these people have little, if any, understanding of the marketing process or even of the channels which might be used for marketing the good or service they wish to produce. This section of the general course is a good place to discuss the workings of the market-centered economy in the allocation of resources.

#### *Legal Aspects*

We would devote approximately four weeks to the legal aspects of business organization and operations. About three weeks of this time would be devoted to the law of the firm, such as is typically covered in a course in business law at the high school level. Another week would be devoted to the law of the total society which affects the environment within which the business firm operates. The student's attention should be called to the fact that law places both privileges and responsibilities upon business firms and that this fact, in turn, has important economic implications.

#### *Accounting and Control*

The last six weeks of the course would be devoted to the problem of control in a business organization. This section of the course would include material often found in a course in high school bookkeeping. It would emphasize, however, the concept that records are kept for control

purposes—for the purpose of giving management the information it needs for making decisions. Stress would be placed upon the system of accounts and the system of reporting designed to enable the manager of the firm to understand his production costs, his marketing costs, his sales, the ratio between sales and expenses, and other types of information which management constantly uses to control the business organization. Parallels may significantly be drawn between these accounting devices, techniques, and purposes and those involved in national income accounting.

#### *Teacher Preparation*

The advanced general business course which we have outlined should be recognized as simply a cross-section of the functions of a business organization and of the economic and legal environment in which it operates. The teacher who is best prepared to teach this course in the high school will probably be one who has completed a university program in business. In many universities the business education department is in the college of business; and if the college is accredited by the American Association of Collegiate Schools of Business, the business education student will have completed the so-called core curriculum of the school. This core curriculum includes economics, accounting, statistics, principles of management, principles of marketing, business finance, and business law. Probably the student will also have had one or more courses in economics beyond the principles level. Thus the business education teacher who has taken the core curriculum of a university program in business will be fully qualified, as far as content is concerned, to teach the advanced general business course as it has been outlined.

We believe that all people who enter business, even if they do not aspire to the managerial level, would profit from such a course. For example, the secretary will be much more effective if she understands the nature of business enterprise and how it functions in the economic society in which she works. We believe also that this course has strong citizenship value as it has been outlined because it will help the student to appreciate the important role that business plays in the American economy. The student then should be in a much better position to participate intelligently in the democratic processes by which our country can grow and prosper in the framework of political and economic freedom.

## **CHAPTER 9**

### ***Bookkeeping***

Although bookkeeping has become well established as a secondary school subject, wide variations have existed and continue to exist in the nature of the bookkeeping offerings. Prior to the turn of the present century, the sole purpose of the bookkeeping course was to prepare young people for entrance into the business world as bookkeepers. In keeping pace with changing social and economic conditions and the increasing efforts to meet better the needs of an expanding student body, additional values and purposes were recognized for the bookkeeping course. It seemed logical to include more information of a general business nature and to give some attention to the analysis and interpretation of recorded financial data, in addition to teaching the techniques and procedures of the recording operation. Researchers learned that not many students became bookkeepers but that many did perform certain recording functions in their office employment or in other relationships with business. Over the years a logical case has been made also for attention to personal or consumer-use values in bookkeeping.

While emphasis on and achievement of these different goals for bookkeeping, have varied from time to time and from community to community and class to class in any given period of time, and will continue to do so, thoughtful educators generally agree that the study of bookkeeping today can help young people in: (1) learning a marketable skill so that the individual can take his place as an individual worker in our business and economic society; (2) learning how to manage personal business affairs so that income and expenditures may be wisely planned; and (3) learning the significance of records and how they form the basis for making economic decisions by individuals, business firms, and various institutions in our society.

The enrichment of the course with economic understandings adds to the functional value of the study of bookkeeping in achieving course objectives and makes the course more vital and interesting to the student. Bookkeeping instruction must be more than simply the teaching of the processes of recording business data and summarizing the results periodically. The student may learn to study and interpret the financial records of business in terms of such things as: (1) what factors increase or decrease profit; (2) the importance of profit as an incentive for business and as a foundation stone for the free enterprise system; (3) what factors should be taken into account when going into a business venture; (4) what personal, business, and societal factors will influence the selection of the form of business organization.

The student should learn not only how to apply good bookkeeping practices to his own personal affairs but also how his personal financial be-



havior is an aspect of his socio-economic environment and of the inter-relations of societal and personal affairs. Bookkeeping is closely related to the activities and responsibilities of all citizens. The housewife who manages the family income, the individual who must have adequate records for his income tax purposes, the professional person who needs to know how to handle his business affairs, the voter who participates in electing those who will determine economic policies—all of these would be better economic citizens if they had adequate understandings of the topics taught in a good bookkeeping course.

The material that follows is divided into eight sections, each treating a bookkeeping subtopic area in which there are definite opportunities for introducing important economic understandings and concepts. Each section identifies certain learnings of an economic nature and suggests ways in which they can be developed through the study of bookkeeping. The material presented is designed to provide only a nucleus of information and a guide to the bookkeeping teacher. Certain modifications or expansions will probably be necessary in meeting the needs of any particular class.

#### *Starting A Bookkeeping System*

A majority of teachers use some form of the balance sheet equation in introducing the student to the study of bookkeeping. In this first unit of study, basic emphasis is placed on getting the student to think in terms of: (a) what is owned by the business (assets), (b) what is owed (liabilities), (c) what is the net worth (proprietorship), (d) how the balance sheet reflects these three elements, (e) and how the simple bookkeeping equation expresses the important principle involved in summarizing the balance sheet and in showing the relationships among assets, liabilities, and ownership.

The beginning unit provides an excellent opportunity for developing certain economic concepts and understandings, such as the following:

1. Prices are simply expressions of value in terms of money.
2. Private ownership of property has great economic implications.
3. Exercise of the right to organize or form a business organization, such as an individual proprietorship, in a free enterprise economy serves certain economic functions.
4. Business operates within, and as a part of, a system of economic organization, which in this country is known as American Capitalism or the American Enterprise System.

In presenting the balance sheet, the teacher usually points out that the worth of a business is stated in financial terms and that the values of assets and liabilities are expressed in terms of dollar units. This point may well serve as a springboard for beginning a discussion of the nature, the importance, and the significance of prices in our economic system. The teacher might promptly ask his students why they do not buy all of the things they want. When the students grasp the full impact of the reasons



given, they will begin to understand the implication—the necessity of making decisions as to which desires will be met and which ones will go unsatisfied. Thus, the foundation is laid for consideration of the universal economic problem of want versus scarcity.

In this way, the first unit opens to the bookkeeping teacher an opportunity of laying the groundwork for the inclusion of economic education in the course. To follow through with this opportunity, the teacher needs to establish the reasons as to why economic organization is needed, to point out basically what such organization does, and to identify the fundamental characteristics of our own economic system.

The task here presents a challenge both to the teacher and to the student. The teacher may well need to refresh his own knowledge and understanding of our economic system by reviewing an economics textbook or one of the many pamphlet-type publications bearing on the subject. (See the BIBLIOGRAPHY following Chapter 10.) Students, especially the more capable ones, may be assigned readings on special aspects of our economic system to be reported on in the classroom.

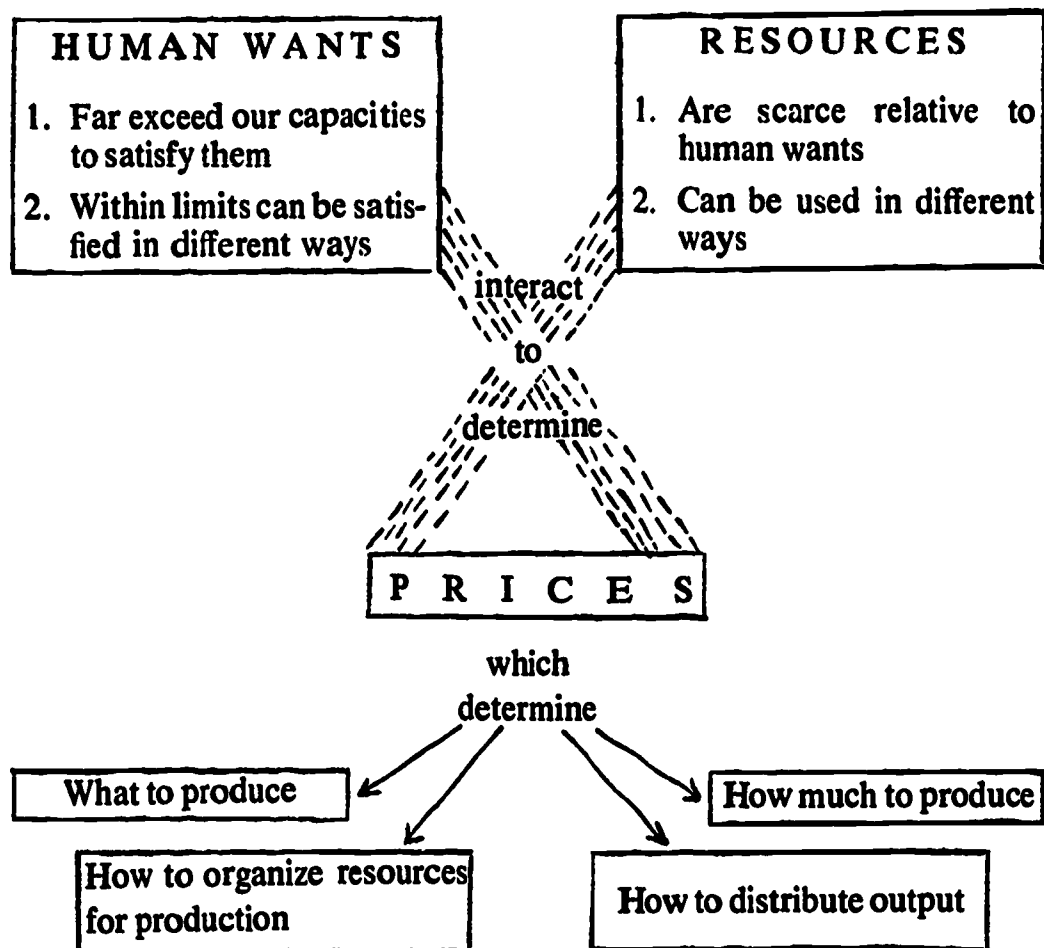
Two or three class periods may be necessary for adequate discussions of economic questions and problems raised during and following the normal presentation of the first chapter or unit on bookkeeping. This extra time will be well spent in terms of a better understanding of the economic system in which business operates.

The following material may serve as a guide to important economic understandings that should be introduced early in the course:

The basic reason for an economic system in any society is that it takes a system to produce adequate satisfaction of human wants. The economic problem in a broad sense is, as we have said, to balance limited resources with unlimited wants. The individual's problem of deciding which of his wants shall be satisfied and what allocation of resources will be needed in satisfying these wants is, in a sense, only a miniature version of the situation faced by society as a whole. In our American enterprise system, many aspects of this problem of scarcity tend to be resolved through the market-price mechanism. In other words, prices tend to direct our economic system in the use of resources to satisfy our wants. The demand (or wants of people) and the supply (or scarcity of resources) interact upon each other in a free market in such a way as to establish relative values or prices. On the basis of these prices, important and basic economic decisions are made: (1) what to produce; (2) how much to produce; (3) how to organize resources for production and; (4) how to distribute the output of goods and services.

The following chart may be reproduced on the chalkboard (or perhaps in duplicated form so that it may be retained for future reference) to provide a simple pictorial diagram of the above analysis.

This presentation is only an abbreviated indication of the main elements in an analysis that should be considerably extended to show the many facets and ramifications of the basic economic problem of *scarcity*.



If the student comes to realize that neither nations nor individuals can possibly satisfy all of their economic wants, he will understand how important it is to make wise choices as to which ones will be satisfied. When those understandings are acquired, the student may turn his thinking to the following:

In a democratic society, the four big questions get answered more or less automatically by the daily decisions of millions of individuals—the people generally rather than some centralized authority. The purpose of an economic organization, therefore, is to provide a means or a way of getting answers to the four basic economic questions indicated on the chart. Every society must organize to meet this socio-economic problem one way or another because human wants everywhere are greater than the resources available for satisfying them. In our country the form of economic organization is called American capitalism or the American free enterprise system in which relatively free markets in a competitive framework are the primary means through which economic decisions are made.

The American free enterprise system has certain foundation stones or requirements inherent in its successful operation. These are: (1) private ownership of property, (2) profit motivation, (3) competition, (4) economic freedom.

The unit of study relating to the starting of a business furnishes an excellent entry for developing such ideas as the *private ownership of property* and the *economic freedom* that is involved in the right of an individual enterpriser to decide what business to enter and what goods to produce or what services to render. An understanding of the meaning of private ownership of property is relatively easy to develop. High school students will quickly grasp the idea of private ownership of property by thinking of what it means to own certain things—clothes, books, a car, tools, a sandwich, etc. They know, too, that their parents have such assets as homes, automobiles, land, stocks, and bonds; and they know that businesses as organized units own similar things. The balance sheet approach adds materially in the development of this analysis. Here are more understandings to be acquired:

Under a free enterprise system, factories, land, buildings, machinery, etc., are owned primarily by private individuals or groups of individuals who constitute business organizations, rather than by the state, meaning a collection of all the people under a central authority called the government. The right to own private property is fundamental to a free enterprise type of economic society.

Certain economic freedoms characterize the American free enterprise system. These include the freedom of choice and freedom of contract, as well as the freedom of enterprise. The right of an individual to organize and enter a business of his own choosing (within some limits, of course) is an expression of an individual's freedom of enterprise. To exercise this right, he must be free to enter into contractual (law-enforceable) arrangements with other persons. Freedom of enterprise means also that the individual must be free to change the nature of his business (again within certain limits) when he chooses and to go out of business when he pleases. Freedom of choice means freedom not only to choose a business, but also to choose an occupation or an employment and to choose the kinds of goods and services one buys with his money. Although these freedoms are hardly ever absolute, a large measure of them is a necessary foundation for a free enterprise economy.

Other bookkeeping subtopics offer appropriate settings for consideration of the significance and meaning of profit motivation and competition. These subjects will receive attention later.

In summary, the students are early introduced to the basic need or reason for an economic system or organization, and to the following other knowledges: A free enterprise economy depends upon free markets through which the determination of prices plays a key role in the making of basic economic decisions on what to produce, how much to produce, how to organize resources for production, and how to distribute the output. If free markets are to function effectively certain institutions must be honored, namely, private ownership of property, the right to seek a profit, the principle of competition, and economic freedom. These are the foundations of our American economic system and are also among the foundations of American democracy.

### ***Profit and Loss Statement***

The bookkeeping cycle ends with the preparation of the work sheet and the profit and loss statement. This operation may well be followed by the development of some economic concepts concerning *profits*. The student has learned that bookkeeping activities lead to a summarization of the operations of the fiscal period by means of financial reports. Now he may learn that there are elements of doubt in judging the amount of depreciation that should be counted as an annual operating expense. Finally he gets some idea of profit and how it is determined for a business organization. He may learn that gross profit is the difference between "selling price and cost" or rather gross sales and cost of goods sold, and that net profit is determined by deducting both prime costs and operating expenses from gross profit. He knows, although he may not understand why, that the net profit figure is a balancing figure for the two profit-and-loss-statement columns on the work sheet. Here is a good place for him to learn further that bookkeeping "net profit" includes what economists call "implicit" interest, which is really a cost of production.

To supplement this information and to relate it to the American economy, the teacher could present the following economic concepts:

- (1) Profit is a reward for initiative and risk bearing
- (2) Profit may be the result of luck or monopoly
- (3) Profit is the motivator of our economic system

The following material will be useful in developing additional economic concepts and understandings:

A businessman may risk his life's savings to go into business; he may have to operate at a loss for a few months, or even a few years in order to establish his business (make of it "a going concern"); part of his risk may involve the hiring of employees, part of it may involve the manner in which he makes use of certain natural and capital resources, and part of it may involve the making of numerous management decisions based on the bookkeeping records.

In a system whose main problem is to bring limited resources and unlimited wants into balance, the role of the businessman is strategically important because it is up to him to take the initiative and to exercise the skill necessary to organize certain resources and to operate them in the production of what people need and want.

To get additional ideas of the function of profit in our total economy, we might ask ourselves the question: Are profits really necessary? To answer this we need to determine how profits are used, what motivations they provide, and who benefits from them in our country.

About half of all business profits go to the government in the form of taxes. Taxes on these profits make up nearly a fourth of the national government's total revenue. This revenue is used to finance: national defense; transfer payments to care for dependent children, the aged, and the unemployed; many types of research which result in better products and safer living; protection against floods, fires, and disease; high-



ways, schools, parks, hospitals, our postal system, and numerous other projects which add to our convenience or pleasure; and finally a variety of other services which are of tremendous value to private enterprise itself such as agricultural research, weather reports, geological mapping, and representation of American interests in other countries.

Some of the profits are reinvested by the business itself to provide needed business expansion. These reinvested profits may be used to construct buildings, to create and improve tools and equipment, and to develop better and cheaper products through research and experimentation. In other words, the use of a part of the profit by the business itself is one means of providing expansion and growth in industry, which means an increasing capacity to produce more and better goods for the consumers. The process of reinvestment results, therefore, in what the economists call capital formation, or the creation of more means for producing more consumer goods.

Probably the real answer to the question of why profits are necessary lies in the fact that capital, coming partly from profits, is an essential factor to production. In a free enterprise system, the creation of capital (made possible by savings) involves risk, effort, exploration, and innovation; and people simply will not make the personal and economic sacrifices which are necessary to the creation of capital if they are not rewarded for it. Profit is that reward!

Much more, of course, could be said about the scope of profit and loss in relation to economics. The key points to be stressed are that the arithmetic determination of profits is only a device for determining whether and to what extent they exist; that the economic functions they serve are the important things; that without them businessmen would not be willing to invest their savings or their skills in a business operation; that the profit motive thus becomes one of the foundation stones upon which the American enterprise system is built; and that the search for profit in a competitive situation forces business to produce as efficiently as possible the goods and services which the consumer wants.

#### ***Bank Deposits, Checks, Reconciliation***

One of the later units of the first half of most bookkeeping courses will include some material on banking services and how these services relate to the bookkeeping operations. This unit is normally taught with a heavy emphasis on certain procedures, such as how to open a checking account, how to prepare a deposit ticket, how to write a check, how to endorse a check properly, and how to reconcile a bank statement. Obviously, these knowledges are important to the bookkeeping student, but through and beyond them there is an excellent opportunity to help the student achieve some broader understanding of *the role of money and the banking system* in our economy. An effective treatment of this very fascinating and complex subject requires great skill on the part of the teacher.

The following general concepts may be presented:

- (1) The use of money serves several important economic functions.

(2) The volume of money in circulation and the level of spending in our economy greatly affect the total performance of the economy, as may be illustrated by the major flows of "money payments" and "goods and services."

(3) The Federal Reserve System operates in such a way as to contribute to economic stability and to promote economic growth.

(4) The budgetary or fiscal policy of the government has major effects upon the performance of our total economy.

Obviously to develop completely all of these concepts would require the teaching of a whole unit on money and banking. This, however, does not indicate that the task of developing many understandings about money and banking is hopeless, for the student may have studied some of this material in previous courses in general business or consumer economics, and in that event he will already have some of the understandings.

All students in the class might well participate in a brief study or review of the functions of money and the relationships between the major flows of money payments and goods and services. The more capable students may want to expand this study by giving some consideration to the effects on the economy of an imbalance in those flows. The bookkeeping teacher may deem it inadvisable to have the whole class study the Federal Reserve System and its ramifications; but here too is an opportunity for selected students to learn something more about our monetary system than what is included in the textbook.

Such individual or group activities as research projects, committee field trips to financial institutions, and interviews with appropriate business personnel can make the study of money and banking a stimulating and fascinating experience. Capable students under the direction of a qualified and effective teacher can learn much in this manner. The results will be more than sufficient to merit the extra time and effort required for it by both the teacher and the students.

Handling the individual differences of students in bookkeeping has been a major concern of alert teachers for years. Would not the assignment of different kinds of economic studies be a rewarding and appropriate approach to this problem and a more meritorious one than simply the assignment of additional bookkeeping problems, which involve practice that the more capable student does not need anyway?

Adequate treatment of the economic content related to the bookkeeping operations associated with money and banking activities will require one or two class periods following the teaching of the bookkeeping fundamentals. The study of this additional material may be approached by asking the students how they use money in their personal lives and what they would do if there were no such thing as money. The next step might be built around these ideas:

Money is almost a social necessity; no one can earn a living in a modern specialized job unless a means exists for exchanging his service or product. Money helps by serving the function of a medium for effecting such exchanges. Money may be defined in terms of its serving not

only the function of (1) a medium of exchange, but also the functions of (2) a measure of relative values, (3) a store of value, and (4) a standard for measuring debts.

These basic functions of money are relatively easy for the student to understand; they are presented in almost every explanation of our money and banking operations. Students may learn some economics by preparing bulletin board displays depicting the role of money as a tool which enables us effectively to carry on the business of our economic system. For example, animated diagrams can be used to show money being exchanged for goods, price tags on merchandise and services, money being stored in a bank, or a wall safe, and IOU's which state the amount of debt in terms of dollars.

The following material may serve as a core for further development of money and banking concepts:

The volume of our output of goods and services depends upon their being exchanged rapidly and smoothly, and the use of money facilitates this process. Vast outputs depend also upon specialization, whereby each worker tends to produce only one kind of product or perhaps only one part of one kind of product. Everyone is a specialist to some extent. The goods or services which he himself produces, or helps to produce, are of only limited use to him. The farmer can consume only a part of what he raises. The concert pianist cannot live on his music. The dentist does not pull his own teeth. The mechanic in the airplane factory helps produce airplanes in which he does not ride. Each of these persons needs or wants what others are producing. In a market economy such as ours, it is possible for each producer to sell his goods or services for money and in turn to use the money as he pleases in buying what he wants of the outputs of others. In this process he is limited by the size of his income and by the prices of the goods or services he chooses to acquire. These ideas are discussed by the economist under the headings of *specialization* and *interdependence*.

The two major *flows of money payments* and *goods and services* may be identified as follows: (1) The stream of goods and services that results from efforts of people to produce and distribute what other people want, and (2) the stream of money payments given in exchange for these goods and services. (Charts showing these circular flows may be found in most of the textbooks on elementary economics.) We may think of people as being represented by households on the one hand and by businesses on the other. As households, people are consumers of all kinds of things; as participants in one way or another in business, they are producers of these things. People earn the incomes they receive (for services rendered) in various forms—wages, interest, rent, and profits. These incomes are paid by businesses and are received by households. The whole process is circular and continuous.

Thus, goods move from business firms to consumers (or households) while money flows in the opposite direction from consumers (or households) to business. At the same time, business firms are paying out money incomes to members of the households in return for their pro-



ductive services. So the flow of money continues around and around, appearing first as money incomes to the recipients (or costs to the business paying out the incomes) and coming back as expenditures of the households (or incomes of the business firms).

Although this circular flow of money can be very complicated and complex, the basic outlines are clear: incomes are created out of the services rendered in the productions of goods and services, and these incomes in turn make possible the purchases (and sales) of goods and services. The student may think of this circular flow as being somewhat similar to a two-way pneumatic tube system, through which the money flows one way for the payment of goods and services and through which, in the opposite direction, the goods and services flow in response to these money payments.

The circular flow idea can be tied in directly with the income statement of a business firm. Money received from sales of merchandise represents income to the business and also expenditures of the people as consumers of these goods. In turn, goods are received by these consumers in exchange for their money payments to the business firm. This process goes on continuously with different goods and perhaps with different people being involved.

If the teacher so desires, he may direct the analysis beyond this phase to an examination of the connection between total money supply and the total supply of goods and services, and also to a study of the role of the Federal Reserve System, by involving a selected individual or group in these undertakings as previously suggested.

#### *Handling Purchases and Sales of Merchandise on Account*

During the second bookkeeping cycle of the high school course a merchandising type of business is normally used in contrast with the service type presented in the first cycle. In presenting a merchandising type of business, the necessity arises for teaching the proper method of handling sales and purchases of merchandise on account. At this stage in the learning process, students become familiar with the special journals and also with such special ledgers as the creditors ledger and the customers ledger. In order to realize the significance of the recording activities associated with the buying and selling of merchandise on account, the student needs to learn about the use of *credit* and its importance in business operations and in the national economy.

The units on the buying and selling of merchandise on account provide a suitable springboard for delving further into the relationship between credit and the operation of the American economy. The study of credit is logically related to any study of the money and banking system, such as was referred to in the preceding section. It may logically be brought also into the discussion of the "bad debts" adjustment in the bookkeeping course. The study of credit should involve an analysis of the following subjects:

1. Credit in its relationship to purchasing power



2. The effect of credit transactions on the price level
3. Credit as a factor in economic stability and growth.

The following material will be useful in developing additional credit concepts and understandings:

In serving our economic system's primary purpose of creating goods and services efficiently and getting them into the hands of the people who need or can use them, money, including credit money, plays an important role, especially as a medium of exchange. Most of the money which is used in business is not the coins and the paper bills issued by the Government but rather the bank deposits against which checks are drawn. These deposits, and consequently the bank checks used in transferring them from one account to another, are often the results of loans made by the banks. In other words, they may be a form of credit; and in any event they are a part of our money system—a very large part of our total money supply.

The basic function of credit is to give us a higher standard of living by enabling us to have and enjoy now the things that we will pay for later. The function becomes rather evident when we imagine an economic system in which there are no credit transactions. In such a system each and every transaction would have to be settled by means of immediate payment—in currency and coins or by check. Imagine the confusion and difficulties that would arise today in this country if there were no credit system. Credit is used in some way in 90 per cent of the merchandise purchases and sales in this country.

Modern high school youngsters are familiar with various uses of credit, especially those represented by charge accounts and installment buying plans. They will recognize that by means of credit instruments it is possible for consumers to buy and use goods and services that they could not otherwise immediately enjoy. Thus, the use of credit enables them to increase their purchasing power and improve their standard of living. The same line of reasoning could be applied to a business organization. However, it should be noted that there may be a difference between the results of the use of credit by a consumer and by a business. The extension of loans to the latter is likely to result in capital investment which, in turn, produces greater revenue and output potential.

In terms of our total society, the greater the amount of loans extended, the greater the present purchasing power (or the money supply) of the people. If too much credit is used, the price level will tend to rise because more people, or at least more money, will be bidding for the limited numbers of goods and services. The demand for loans is usually high when employment, production, and incomes are high. An unrestricted increase in the money supply or purchasing power of the people under these conditions will likely lead to inflation, because the amount of money being spent tends to increase faster than the amount of goods and services in the market.

On the other hand, if not enough credit is brought into use, the purchasing power of the people will be unduly restricted; and consequently

the level of prices will be lowered because fewer dollars will be bidding for the available goods and services. This may lead to business recession and unemployment.

The crucial economic problem, if economic stability is to be achieved, is to maintain a proper balance between purchasing power and productive capacity. In other words, the flow of money payments and the flow of goods and services need to be kept in reasonable balance at a constant price level. In periods of depression, for instance, the imbalance in our system may be the result of insufficient income, insufficient uses of credit, or insufficient money expenditures to provide dollar demand for the production and distribution of goods and services. Such an imbalance could be described also as an over-supply of goods and services; but this view of the problem is hardly in harmony with the fundamental fact of scarcity in the economy as a whole.

All uses of credit are based upon confidence, and confidence cannot exist without a substantial degree of economic security and stability. If there is a lack of confidence in the stability of the value of money in the market, such that it is impossible to obtain loans and use credit adequately, our economic system will not function effectively. Such a situation may arise even when the total usable supply of money is adequate. It takes more than just availability to put money to work. Confidence is a basic requisite for normal economic growth. When confidence prevails the economy thrives; but let confidence be lost, and the whole system soon bogs down.

The economic concepts and understandings outlined above can be presented in one or two class periods. A general discussion involving developmental questioning, following appropriate homework, may be used effectively to develop those concepts. Before the student completes the study of credit, he should be aware of the existence and the nature of the relationships among: the amount of loanable funds, interest rates, the purchasing power of the people, total spending, and the general price level; and among the other factors affecting economic stability, security, and growth in our economy. An understanding of these concepts should make the recording of credit transactions more meaningful to the student, especially the capable student who oftentimes may become bored with the process of simply making bookkeeping entries.

#### ***Taxes and Payroll Records***

In the study of bookkeeping units dealing with taxes and payrolls, students will learn something about techniques used for calculating payrolls and making the necessary deductions for social security, income taxes, etc. They may learn also the meanings of the different types of taxes and the various uses to which the tax revenues are put; but this information does not automatically flow from learning the appropriate procedures for recording the deductions in the books of the business firm.

The material in this unit provides an excellent springboard for launching a brief study of the *Federal budget* and the *role of government in our economy*. Study of these additional subjects should enable most of the stu-

dents to gain further insight into a variety of economic concepts, including the following:

1. Businesses as well as individuals pay large sums of money each year in taxes.
2. Government budget policy, if appropriately developed, can play an important stabilizing role in the economy.
3. The role of government in the economy of the United States is an ever-changing one.
4. It is a fundamental responsibility of every citizen to participate constructively in economic decision-making by governments.

To introduce economic education aspects into this study, students may be assigned the responsibility of preparing a pie graph showing the receipts of the Federal government and a similar one identifying the expenditures. A look at receipts will reveal that the major source of income for the Federal government is taxation. It will be evident also that the income tax, about which they have been studying, is the major producer of tax revenues for the Federal government. Students are always interested in, and sometimes amazed at, the rate of taxes upon incomes, both of individuals and of corporations. Varied opinions no doubt will be expressed concerning what constitutes a fair tax for businesses and for individuals at various income levels in our society. Bookkeeping students certainly should be encouraged to think deeply about such questions. They could begin by discussing the characteristics of a good tax and the principles and purposes of taxation.

A study of the receipts of governments and the rates of taxation naturally leads to a desire to know something about the uses to which the money is put. By means of charts and diagrams, explained by oral reports, students can provide a brief but meaningful analysis of the budget expenditures of the Federal or a state government.

The size of the Federal budget in terms of our total economic activity will make it apparent that the government does play a significant role in the operation of our economic society. Government purchases of goods and services support the level of output and employment just as does private spending. A decrease or increase in private purchases can be at least partly offset by an opposite change in government spending. The point should be made, however, that increased tax collections tend to reduce the purchasing power of private spenders. A corollary to this observation is that an increase in government spending will not increase total spending unless there is an increase in total borrowing or a reduction in total saving. In any event, it may be said that changes in government tax receipts do affect potential private spending.

Bookkeeping students will be able to understand what is meant by budgetary surplus or deficit. They will be interested in learning how the size of the budgetary deficit or surplus affects total spending and the level of total economic activity. Another interesting point of discussion with bookkeeping students may be whether or not it is desirable to have "a



balanced budget." Careful economic reasoning is called for in reaching a logical conclusion. A number of interrelated factors must be taken into consideration. For instance, economists are fairly well agreed that government spending great enough to produce a budgetary deficit may be helpful when private spending declines and a depression threatens. Alternately, the building up of a budgetary surplus can help to counteract a too rapid expansion in private spending. Whether these observations should be followed by policy action on the part of the government to establish and maintain economic stability is a matter calling for value judgment.

As a result of their training, bookkeeping students are in a position to understand that not only do government deficits stimulate total spending but that they also lead to a rise in the public debt. The opposite, of course, is likely to be the result from government surpluses. A brief analysis of the public debt, including interest payments on it, may highlight certain important economic implications. It may reveal, for instance, what kind of burden the debt imposes upon the taxpayer. It may reveal that if the national income is rising relatively faster than the public debt, one aspect of the burden may actually be decreasing (relatively) rather than increasing. Although the high school student cannot be expected to understand all the interconnections in detail, he should be able to see in broad outline that a large public debt creates problems for our monetary authorities and that important relationships exist among the United States Treasury, the Federal Reserve System, the commercial banks, and other financial institutions. The problem of government budgeting or fiscal policy and its tie-in with the subject of monetary policy may be given some attention in connection with the treatment of money and banking earlier in the course.

These concepts about the relationship between private business and government finance should help to deepen the student's understanding of his own relationship with and obligations to his government. There should be, of course, recognition that some of the taxes paid by business are passed on ultimately to the consumer or are in part deducted from what otherwise might be increased wages for employees or increased dividends for stockholders. All these understandings should help the future voter to see that the steadily expanding economic role of government has increasing impact upon the economy in several important ways.

#### *Partnerships, Corporations, and Cooperatives*

During the latter part of the high school bookkeeping course, most classes will take up the study of bookkeeping for partnerships, corporations, and cooperatives. There the student learns something about the process of accounting for these forms of business organizations, and particularly about the differences in the proprietorship section of the ledgers. He also studies, in most textbooks, material concerning the advantages and disadvantages of the different *forms of business organization*.

The study of the bookkeeping procedures with reference to forms of business organizations presents an excellent opportunity for delving into the importance of the forms themselves in our economic system. An effective classroom technique to advance this analysis is the panel sys-



tem. A problem situation concerning a proposed business venture can be set up for consideration by the panel members. They will direct their attention to the central question of what form of business organization would be most appropriate. This technique will bring out the advantages and disadvantages of the different forms, and the reasons for their existence in our economic structure. The analysis thus developed will be more realistic and more concrete than the results from merely discussing the lists in the textbook. Some excellent material along these lines can be found in Chapter 4, "Forms of Business Organization," of the C-A-S-E publication on American Business Enterprise.<sup>1</sup> The discussion will produce better results, of course, if the panel is composed of the more capable students. While it would be well to have many of the students participate in the discussion, the presentation of the introductory material and the concluding summary could more effectively be handled by students who can express themselves well.

Under the guidance of an interested and capable teacher, the students participating in this total process should bring out certain economic understandings and concepts, such as the following:

1. Specialized needs of our society call for different forms of business organization.
2. Businessmen adopt that form of organization which seems best for helping them organize and carry on their particular activities.
3. Separation of ownership and control in large corporations has resulted in a new type of decision-making based upon the idea of stewardship on the part of expert managers.
4. With the development of the large corporation, management must consider not only the best interests of the corporation but also those of society.

This unit also is an excellent place to reaffirm the importance of such ideas as private ownership of property and economic freedom. The action of an individual or a group of individuals in organizing and entering a business of his or their own choice is an expression of both freedom of enterprise and freedom of choice. Freedom of contract will also be exercised in business ventures. The student will realize that single proprietorships, partnerships, corporations, and cooperatives as different forms of business organization have been demanded by, and have grown out of, the complex needs of both consumers and business management. The student will learn why the corporation has become the dominant form of business organization in the American economy, and why this type as a class does a larger volume of business than all other forms combined. All forms, however, are essential in meeting all the varying needs of our society.

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<sup>1</sup> Laurence de Rycke and Alvin H. Thompson, *Business Enterprise in the American Economy*, C-A-S-E Economic Literacy Series, No. 4, The Council for Advancement of Secondary Education, 1201 16th Street, N.W., Washington 6, D.C., 1961.

### ***Depreciation of Fixed Assets***

The study of fixed assets—their acquisition, depreciation, and disposal—is an appropriate occasion for extending the learning to include some understanding of the economic importance of *capital formation*. Here is a time for enlightenment as to how we acquire and maintain one of the major factors of production. The normal bookkeeping study brings in the problem of the use of capital goods and how they decrease in value as a result of depreciation. The other side of this coin will show how certain of these fixed assets are formed, or acquired, or brought into use.

Through the use of classroom discussion and related activities, the following economic concepts may be developed:

1. Many kinds of capital, or man-made aids to production, are essential for the production of goods and services required for meeting the needs and the demands of the American people.
2. Savings and investments are necessary in our economy to provide those tools of production.
3. Variations in the amount of investment in capital goods have important effects on the total economy.

Such questions as the following may help to launch a study of the topic of capital formation: What are capital goods? Are all fixed assets capital goods? Why is capital necessary to the businessman and to our total economy? How is capital formation accomplished? Are savings necessary to capital formation?

These questions may lead to the cooperative formulation of a brief topical outline involving:

1. The definition of capital.
2. Capital formation—what it is, how it is accomplished, and why it is important to the individual, the business firm, and our whole economy.
3. A further consideration of the role of savings in capital formation.

An interesting point of departure would be to take the case of the personal savings of a student and trace them in their movement through the total economic process. The point may then be made that businesses also save and that the reinvestment of the retained earnings of a company and the investment of the personal savings of individuals constitute primary sources of funds for capital formation. An economy in which individuals and groups are unwilling to forego immediate consumption and to assume the risks involved in investing in the nation's business and industrial enterprises will lack an important source of funds for capital creation or acquisition. If every individual spent his total income on the purchase of goods for immediate consumption or hoarded his savings under his mattress or in a tin can buried in the garden, business enterprise could not be expanded to meet the increasing needs and wants of the American people. Investment of savings helps stimulate the entire economy and makes an individual's income more productive.

The above concepts and understandings can probably be developed in relatively short time, perhaps in one class period following a reasonable amount of prior study.

### ***Financial Reports***

Sometime during the second semester, perhaps while dealing with the financial reports of the business enterprise, the bookkeeping student should analyze two additional economic subjects. One of these is called *factors of production* and the other is called income accounting for our nation or *national income accounting*.

Regardless of where the *factors-of-production analysis* is presented in the bookkeeping course, it will require some ingenuity to bring into one lesson an adequate discussion of all the factor types commonly identified as land, labor, capital, and enterprise. A logical place for presenting this discussion is along with the study of either fixed assets or payrolls.

Although the student will have been making bookkeeping entries related to each of the major factors of production, it is usually necessary to identify further these factors and their relationships. A further consideration of them will readily reveal that they are linked together and that without any one of them the productive process would halt. Land (including all natural resources) provides the foundation to which the other factors are applied; labor converts the resources of nature into usable products; capital includes the tools, the buildings, the machinery, etc., necessary for the conversion; and enterprise assumes the responsibility for combining the other factors in an efficient and effective manner for turning out an end product.

The socio-drama technique may be used in identifying the meaning and significance of the different factors. For instance, a student or group of students could represent (pretend to be) each of these factors and carry out a skit indicating the role that they play in the functioning of a business enterprise and also in the functioning of our total economic society. Thus, the student comes again to face our basic economic problem of satisfying human wants with limited resources and to see how the factors of production are utilized in meeting this major problem.

As a follow-up to the general study and presentation of the subject of factors of production, the profit and loss statement may be analyzed to indicate the kinds and the amounts of the rewards that go to the major groups of contributors in our productive process. For instance, the expense section may be analyzed to indicate where, and for what, the payments are made. Rent items, if any, can be identified in part as payment for the use of land; wages as compensation to those who perform either mental or physical labor; depreciation allowances as a kind of payment for capital goods, and interest as a return to those who supply the means with which capital goods are obtained; and profit as a reward for the successful performance of the enterprise function.\* If the student wants to think of government as one of the major factors involved in the productive process, he can look upon the taxes paid by a business as compensation for the protection and other general services or benefits received from government.



The subject of *national income accounting* may well follow the presentation on factors of production, or it may come at almost any time in the bookkeeping course after students have become familiar with the details of the profit and loss statement of a business firm. However, the presentation of the concept of national income accounting may be best placed, perhaps, near the end of the course where it will serve as a summary or wrap-up for many phases of economic education that have been presented in previous units. In any event, a certain amount of analysis of national income accounting should be useful.

Students may logically be led from a study of accounting for the business firm's income to the idea of accounting for the nation's income. For meeting the high school student's need of an understanding of the meaning and significance of national income and the gross national product, the following materials may be adequate, although they obviously omit numerous detailed and relatively minor aspects of the analysis.

The subject of national income accounting may be presented in the following five steps:

1. A definition of gross national product and a discussion of its significance as a measure of the performance of the total economy.
2. An analysis of the major components of GNP:
  - Consumer goods and services
  - Producer goods and services
  - Governmental goods and services
3. An analysis of the costs of producing the gross national product and their significance as incomes to the basic factors of production.
4. An explanation of how double counting is avoided in computing GNP.
5. An explanation and illustration of the flow of spending and the flow of output, or the flow of money and the flow of goods and services.

The gross national product is the market value of all final goods and services produced in any one year by the entire American economy. Take this simple explanation of the meaning of GNP:

"Let us assume that we have roped off a big field somewhere in the United States. Into this area we deposit all of the goods and services produced by the American economy in the current calendar year. In this collection, we . . . include all the new machinery, all the new factories, and other new construction, all the commodities and services provided for consumers (for example, medical and dental services, automobiles, clothing, refrigerators, and television sets) and all of the guns, tanks, schools, clothes, and other services provided by federal, state, and local units of government. In short, we . . . include *all* of the goods and services produced during the current calendar year.

"In addition we . . . attach to each good or service a price tag indicating the value of the product, had it been sold in the market. Now,

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\*If this "profit" is a negative quantity, it is instead called "loss," which may be regarded as a penalty for the unsuccessful performance of the enterprise function.

if we merely jot down the price of each item as it is deposited in the field and, when all items have been deposited, we add all the prices together, we shall have a total corresponding to what economists call our gross national product."<sup>3</sup>

Through the production of goods and services that constitute our gross national product, incomes are generated. Just as certain basic facts about the business firm are shown on its income statement, certain similar basic facts about the whole economy are shown on a statement of the national income accounts. The following illustration is one way of showing how the national income statement might appear:

<i>Gross National Product as Gross Income from Sales:</i>	(Billions of Dollars)
Consumer goods and services	340
Producer goods and services	70
Governmental goods and services	110
Net Exports of Goods and Services <sup>4</sup>	4
Total	524
Less: Capital Consumption Allowances and Indirect Business Taxes	94
National Income (Gross)	430
<i>Costs Paid to Factors of Production:</i>	
Compensation of Employees	303
Proprietors' Income:	
Farm	13
Business and Professional	36
Rental Income of Persons	12
Net Interest	20
Corporate Profits	46
Total Costs (Gross National Income)	430

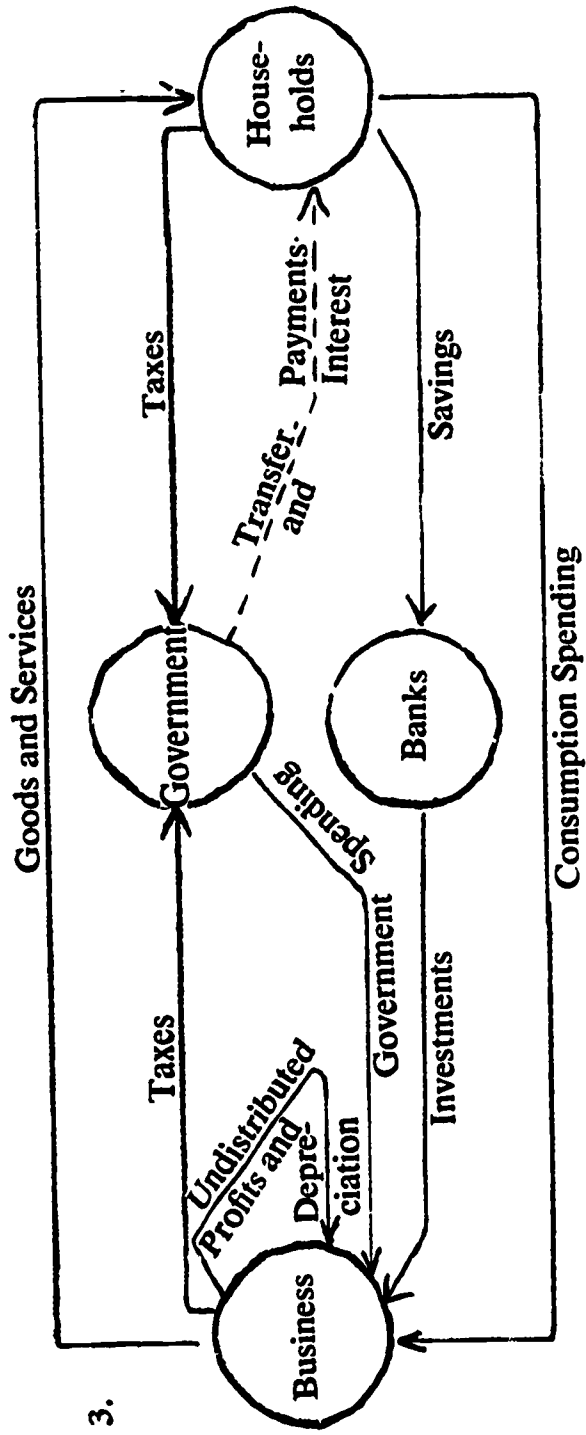
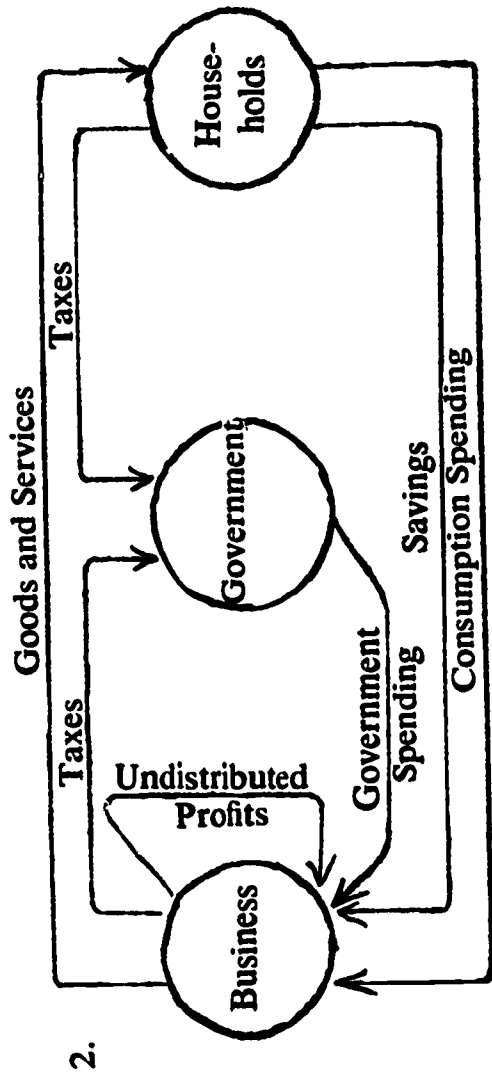
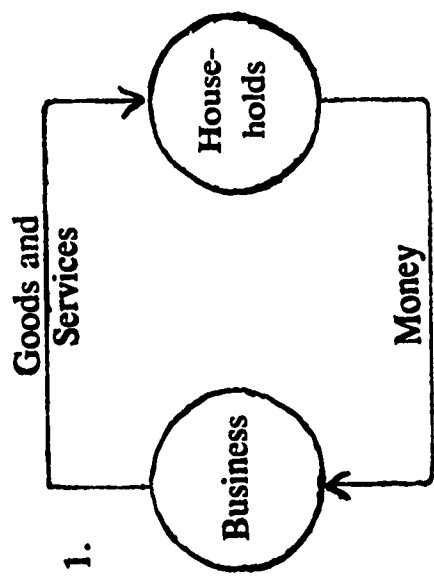
There are two ways of looking at GNP (or gross national income).\*

1. As a flow of final goods and services (in terms of their money value) to the major groups that received them, namely, consumers, producers, and governments. This is the physical output view.

<sup>3</sup> Lewis E. Wagner, *Measuring the Performance of the Economy*, Bureau of Business and Economic Research, State University of Iowa, 1960.

<sup>4</sup> Sometimes ignored in an elementary presentation.

\*This latter phrase "gross national income" is not a commonly used one; neither is it the same in meaning as the commonly used phrase "national income," which is computed by subtracting from gross national product two important other aggregates known as capital consumption allowances (or depreciation) and indirect business taxes.





2. As a flow of money payments to all the people who furnished the factors of production, namely, land, labor capital, and enterprise. This is the money income view.

The total value of the GNP for any given year can be determined by measuring either of these flows during that period.

In order to refine GNP figures so that they may be used for comparisons from one year to another, it is necessary to adjust for changes in the price level and for changes in the population. These adjustments will produce figures showing the *real* output per person; and the resulting *per capita* GNP figures "in constant dollars" for different years are comparable in studying such phenomena as economic growth.

In the process of counting sales for determining the GNP, only final sales are used to avoid the double counting that would result if unfinished or intermediate goods were counted once at the processing stage and again after they reach the stage of final product. For example, a washing machine motor that may be produced in one plant and then assembled as a part of the final product (a washing machine) should be considered only once, and one way to do this is simply to count the value of the whole washing machine just as it is sold to the user.

The teacher who wishes to go beyond the point of discussing the two broad concepts of GNP and gross national income, may extend the analysis to include the study of such terms as net national product, national income in a narrower sense, personal income, disposable income, consumption, and savings. It is possible also to develop through a series of charts (proceeding from the simple to the more complex) the flows of goods and services and of money among the business, household, banking, and government sectors. This explanation may provide a tie-in with the unit concerned with starting a bookkeeping system, where the idea of the flow of goods and services and money payments was earlier introduced. The following simple flow diagrams may serve to illustrate these points and to provide the basis for analysis and class discussion.

## CHAPTER 10

### *Typewriting*

The investigator of a recently completed experimental study<sup>1</sup> sought to determine whether and how well certain economic concepts could be learned in beginning high school typewriting classes through the use of timed writings with economic content.

The study was conducted in five randomly selected high schools in an effort to find answers to the following specific questions: (1) To what extent can students increase their economic understandings while using timed writings in which certain concepts are obvious? (2) Will students who type specially prepared timed writings presenting economic concepts show growth in typewriting skill comparable to that achieved by students who do not type such writings? (3) What is the correlation of gains in typewriting skill, with reading comprehension, with intelligence quotient, and with initial economic understandings?

Within each of the five selected schools, one experimental group and one control group were established. A total of 224 students participated in the study. Each of the five cooperating high schools was offering at least two class sections of beginning typewriting for two consecutive semesters during the school year. Students in both the experimental and the control groups typed two five-minute timed writings during each of forty-five class periods during the second semester of beginning typewriting. Specially prepared timed writings presenting economic concepts were administered during each class period in the experimental group with two minutes allowed for the proofreading of each writing. The control group typed two five-minute writings each period from the textbook used in the particular school. The schedule of activities, other than the time devoted to typewriting and proofreading the timed writings, in each typewriting class was arranged by the teacher in charge.

The specially prepared timed writing dealt with concepts included in the Alft Test of Economic Understandings. This test, which had been developed by E. C. Alft of the Elgin High School, in cooperation with the Illinois Council on Economic Education, was administered at both the beginning and the ending of the experiment in each school. Each of the specially prepared timed writings had a readability index of grades 7 through 10 and was limited to a range of 500 to 600 strokes. The syllabic intensity of each of the timed writings was between 1.3 and 1.4.

The contents of the writings to be used in the experiments were designed to set forth some significant economic concepts. The concepts

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<sup>1</sup>Dean Clayton, *Incidental Learning of Economic Concepts in Beginning Typewriting Classes*. Unpublished doctoral dissertation, Oklahoma State University, 1962.

chosen were the thirty most frequently missed ones as revealed by the results of the first administration of the Alft test. After the formulations of these concepts had been carefully prepared and checked for readability, stroke count, and syllabic intensity, a panel of five competent persons examined them for their adequacy or inadequacy in expressing economic concepts that are truly meaningful. Writings judged inadequate by more than one of the judges were revised and re-submitted. The timed writings were revised until at least four of the five judges had agreed that each writing was adequate. A booklet of these finally developed writings was provided for study by each student in the experimental group.

The results of the experiment in each of the five selected high schools indicated that the experimental group showed significant gains in understandings over the control group. Students in the experimental group showed a mean gain of 4.15 understandings as compared with .54 understandings in the control group.

The difference in gains of typewriting skill was not significant between the experimental group and the control group. Students in the experimental group showed mean gains of 6.16 gross words per minute on five-minute typewriting tests as compared with mean gains of 7.22 gross words per minute in the control group. Students in the experimental group showed a mean *decrease* of .41 errors on five-minute typewriting tests as compared with a mean *increase* of .22 errors in the control group. The relationship of gains in economic understandings with typewriting skill, reading comprehension, intelligence quotient, and initial economic understandings was very low or of a negative nature. It was concluded, subject to further research, that: (1) Students can increase their economic understandings by typing specially prepared timed writings presenting economic concepts. (2) Students who type specially prepared timed writings presenting economic concepts will show comparable growth in typewriting skill when compared with students who type timed writings from typewriting textbooks. (3) Gains in economic understandings are almost entirely independent of typing skill, intelligent quotient, grade level of reading comprehension, and initial economic understandings.

In the light of the conclusions, the following recommendations were formulated: (1) Typewriting teachers should assume responsibility for increasing a student's knowledge of economic concepts through appropriate ways and means that will not impede the development of typewriting skill. (2) Publishers of typewriting materials should make an effort to incorporate in their publications certain contextual materials in order to provide more values than simply an opportunity for increasing typewriting skill. (3) Research workers should make an effort to conduct studies similar to the present investigation in order to assist in determining the reliability of the findings.

\* \* \*

An experiment of a different sort, but one which is quite relevant to the general problem of bringing economic education into typing activities in high school courses, was conducted by Phyllis Farrow in a project

undertaken by her for the University of Vermont Economic Education Workshop of 1961. The project resulted in a 19-page publication entitled *Creating An Awareness of Economic Principles Through A Series of Transcription Letters*.<sup>2</sup> The "Introduction" describes briefly the nature of the experiment; and this is followed by copies of the letters actually used in the experiment. Page 18 lists the terms used in building an economics vocabulary; and page 19 presents some bibliographical materials.

### **Examples**

Below are two sample transcription letters designed to develop the same economic understandings.\* One is a short letter, sufficient perhaps to develop adequate understanding for the more perceptive student; the longer one is considerably more explicit and should produce much fuller understanding, especially for the less perceptive student. The teacher may want to develop an evaluation instrument on the basis of these two letters. After the students have worked with the first (shorter) letter, they can be tested on the understandings acquired; then after working on the second (longer) letter, they can be given the same test again to reveal how much was added to their understandings.

— 1 —

Dear Dr. Holmes:

The difference between my comment on the relationship between the price of steel and the demand for steel and what you think I should have said is largely a matter of words that mean different things to different people.

To use precise economic language, I should have said that the lowering of the price of steel naturally increased *the quantity of steel demanded or purchased*. I was in error in saying that the lower price would naturally increase *the demand for steel*.

The difference in the two underscored phrases is very important—at least in economic thinking. The former expression refers to the quantity of steel that will be bought at the lower price. In this case the increase in the quantity is a result of the lower price. The phrase "demand for steel" is properly used to refer to a schedule or table of relationships between different prices and the different quantities that will be bought at the different prices within a given limited time period. Such a table will show, of course, that larger quantities will be bought at lower prices and smaller quantities will be bought at higher prices. Here there would be a change in "quantities demanded" as we move from one price to another in the table that remains unchanged.

If, however, there is a *real increase in demand*, the quantity figures in the table would need to be changed, to show that more (or less) would be bought at any one price without changing the price figures. Thus a *real increase in the demand* means that more will be bought *without* a change in price. This is quite different from saying that more will be bought *because* of a change in price.

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<sup>2</sup> Available through the Joint Council on Economic Education, 50c per copy.

\*Several additional sample letters are presented in *Creating an Awareness of Economic Principles Through a Series of Transcription Letters* by Phyllis Farrow (see Bibliography).



I regret that my statement aroused unnecessary confusion. I shall try to be more careful in my future statements concerning economic relationships; they are too important to be used incorrectly.

Sincerely yours,

— 2 —

Dear Mr. Watson:

If I said, as you claim I did which I cannot deny, that the lowering of the price of steel naturally increased the demand for steel, I was wrong, but for a different reason than the one you offer.

In your arguments that the demand for steel did not rise when the price of steel fell, you are right, but for a different reason than the one you gave. You claim that the number of tons of steel sold per month after the drop in price had not increased.

Leaving aside the fact that the month after the drop in price was February, a 28-day month, whereas the month before the drop in price was January, a 31-day month, which would not be an equal basis for comparison, there is an entirely different kind of fault in both of our statements. We both used the word "demand" when we intended to convey a somewhat different idea—the idea that a careful economist would call "quantity demanded."

The distinction between the two terms can be very important. In discussing the laws of supply and demand, the economist could never properly explain the cause and effect relations between quantities and prices if he said "demand" when he meant "quantity demanded," for a change in the price of a commodity cannot in itself (in the short run) change the demand for that commodity, whereas a change in price normally does bring about an inverse change in the quantity demanded.

The reason for all this is very simple. The word "demand" is used by the careful economist only when he has in mind a whole schedule, or table, of figures showing the different quantities of a commodity that would be bought at different prices in a certain market during a certain period of time. At each different price a different quantity would be bought—larger quantities at lower prices and smaller quantities at higher prices.

It is always assumed in this kind of analysis that only one price prevails at an instant of time. If a change in that price occurs within the total time period involved, the quantity that will be bought will, of course, be greater or smaller depending on the direction of the change in price and according to the original schedule of figures. Thus, a change in price directs our attention to a different quantity, but that different quantity has been in the table all along. It did not change when we turned our eyes toward it. It was part of the total schedule from the beginning. This is why it is said that a change in price does not change the demand for the commodity—the schedule or table of relationships remains exactly the same as we turn our eyes from one point on it to another, that is to say, from one price line to another. What does change as we move from one price line to another is the quantity that will be bought. This we call "quantity demanded," which may be defined as the quantity that will be bought at a given price—at any one price; change the price line and a different quantity will be found.

What then, would constitute a change in "demand" in the true sense of the word? Since "demand" refers to the table as a whole, a change in "demand" means a change in the figures in the table. This can easily be illustrated by erasing the original quantity demanded figures and putting in their places a

new set of larger or smaller figures. What this means, obviously, is that a larger or smaller quantity of the commodity will be bought at each of the original prices; or alternatively it may be said, perhaps, that the same quantities will be bought at lower, or higher prices. If at lower prices, the demand has decreased; if at higher prices, the demand has increased. Conversely, if more will now be bought at the same price, the demand has increased, and if less will now be bought at the same price, the demand has decreased.

Thus, we say that a change in price does not affect the demand, i.e., does not affect the demand *schedule*, but it does affect the quantity demanded, i.e., the quantity that will be bought. This statement of one of the "laws of supply and demand," however, cannot be correctly stated in the vice-versa form. This means it is not correct to say that a change in demand does not affect the price. In other words, while we must say that a change in price does not affect demand, we may say that a change in demand does affect price. In this latter case, we are really talking about "the market price" rather than just any price. This, however, is another story, which would call for a rather lengthy explanation of the interaction between a changing demand situation and a fixed or constant supply situation—an interaction that can best be illustrated by a set of intersecting curves or lines in a graphical framework—which would carry us beyond the scope and purpose of this letter.

I trust that, at the risk of having bored you with this lengthy explanation of a point that may seem to be of only technical importance, I have made it clear that in economic analysis it may be very important to use exactly the right word or phrase, rather than simply one that is similar to the right one. Care to use the word or phrase with the exact meaning intended may avoid a great deal of misunderstanding and confusion in conversations and writings on economic subjects.

Sincerely yours,

## **BIBLIOGRAPHY\***

### ***Materials in Economics for the Business Education Teacher and Student***

#### **FIVE ESSENTIALS**

For some time many business education teachers have been concerned about economic education in their classes and have accumulated booklets and pamphlets for themselves and their students. Those who have not done so should start by obtaining the following five important publications:

1. *Suggestions For A Basic Economics Library For Secondary Schools*, Revised, 1961, Free
2. *Economic Education In The Schools*, 1961. \$1.00
3. *Study Materials For Economic Education in the Schools*, 1961. 50¢
4. *1962 Annotated Bibliography of Materials in Economic Education*, 75¢
5. *100 Selected Films in Economic Education*, 1960. 75¢

All of these may be purchased from the Joint Council on Economic Education, 2 West 46th Street, New York 36, New York.

From Section I of the first publication listed above, both a high school and a college economics textbook may be selected. The teacher may find in the list a new edition of a college text that he has previously studied. An up-to-date popular high school text will serve as a general guide. A few good reference books are needed too, such as *The Economic Report of the President*, *A Dictionary of Economics*, *World Almanac or Information Please Almanac* or *The Economic Almanac*, and the *Statistical Abstract of the United States*. Most of these reference items and the addresses of their publishers are listed in the *JCEE Suggestions . . .* (Publication #1 above).

The second enumerated item above is the recent report of the National Task Force on Economic Education. The booklet explains what economics is, and what it is not; it argues for a grasp of economics as a way of thinking and analysis rather than an absorption of miscellaneous ideas and data; and it tells what economics should be taught, and a little about how it should be taught.

The Task Force report recommends "that all business education curricula include a required course in economics . . . a reasonable acquaintance with basic economic institutions will prove valuable for any student

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\*This bibliography was prepared by Gladys Bahr, New Trier Township High School, Winnetka, Illinois.

entering a business firm . . . bookkeeping courses can be given much more intellectual content by relating them to simple business accounting concepts, to the role of costs and profits in business firms, and to such concepts as gross national product and national income."\* In this report the business teachers may study the recent concepts in economic education.

The third enumerated publication, the 1961 Report of the Materials Evaluation Committee, contains an annotated list of 97 selected publications recommended for use as supplementary reading by students in the secondary schools. Many of these publications will be reviewed later in this chapter.

The fourth enumerated publication above is an annotated bibliography of current supplementary materials in economic education. The JCEE issues a new one each year. The 68 pages of the current one (for 1962) show groupings of materials according to broad subject areas. For instance, over twenty listings are given for the area of Consumer Economics. Descriptions and addresses of agencies issuing the listed publications are given in the back of the bibliography.

If the business teacher is interested in using films as teaching aids, he will find in the fifth enumerated publication an alphabetical list of 100 selected films in economic education. The annotations in that bibliography will help the teacher decide whether or not he should use a particular film. A complete directory of sources of the films is given in the back of the publication.

A few hours of study of these five valuable publications will reveal to the business teacher the current trends in economic education and will enable him to select what additional materials he will want to use in making economic education a part of his business education program.

#### NEWSPAPERS AND MAGAZINES

If the private or school library of the business education teacher does not receive a good newspaper, it would be well to have a subscription to the *Wall Street Journal*, the *Christian Science Monitor*, or the daily or Sunday edition of the *New York Times*. Popular news magazines such as *U.S. News and World Report* and *Business Week* are recommended.

From this current material, the teacher and his pupils will find many present-day discussions of economic topics. It seems that the student learns more if he can relate what he is trying to learn to the television and radio newscasts. At first he listens reluctantly, but as his interest in economics grows, he will be eager to report on many items—labor, taxes, competition, supply conditions, changes in consumer demand, government and business relations, etc.

These newspapers and magazines contain many fine charts of economic trends and other statistics that can be used for bulletin board display and

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\**Economic Education in the Schools*, Report of the National Task Force on Economic Education, p. 70.



for class discussion. Often a current cartoon will be a good basis for developing a concept.

An additional magazine that a business education teacher needs is *Challenge: The Magazine of Economic Affairs*, Institute of Economic Affairs, New York University. (Subscription \$5 for two years.)

#### PAPERBACKS

Today young people are quite familiar with paperbacks. They have used them in their English classes. More than a hundred on business, economics, and economic history are available at prices ranging from one to three dollars. The following items may be obtained at even lower prices:

- Ideas of the Great Economists*. George Soule. New American Library. 50¢.
- The Rich and The Poor: Economics of Rising Expectations*. Robert Theobald. Mentor. 50¢
- Big Business—A New Era*. David Lilienthal. Pocket Books. 35¢
- Enemy Within*. Robert Kennedy. Popular Library. 50¢
- Insolent Chariots*. John Keats. Crest Books. 35¢
- The Hidden Persuaders*. Vance Packard. Cardinal. 35¢
- The Status Seekers*. Vance Packard. Cardinal. 60¢
- How To Buy Stocks*. Louis Engel. Bantam Books. 35¢
- Guide To Success on the Stock Market*. Ira Cobleigh. Avon Books. 35¢
- How To Get More for Your Money*. Sylvia Porter. McFadden Book. 60¢
- What We Must Know About Communism*. Harry and Bonaro Overstreet. Pocket Books. 50¢

#### MATERIALS EVALUATION COMMITTEE REPORT

How do the ninety-seven pamphlets selected by the Materials Evaluation Committee (see item #3 among the "five essentials") fit into the business education program?

In Part II above (Chapters 5-10) it was shown how economic understandings may be made part or all of the course in six business education courses. The question here is which of the MEC selected pamphlets are suited for certain business courses? The answers are indicated in the listings below by use of the following convenient key system:

- BB..... basic business
- B..... bookkeeping
- BL..... business law
- ABB..... advanced basic business
- E..... economics and/or consumer economics

In addition, BE is added to represent another business education course not listed above. It may be stated thus: BE (EG) for economic geography or BE (CP) for clerical practice. BE (T) and BE (S) differentiate between teacher material and student material. With each reference one

or more of the key letters is used to indicate that the pamphlet is particularly suited for that business course.\*

Annotations are also given. These comments are supplementary to the annotations given in the publication, *Study Materials For Economic Education in the Schools*. It will be well to read the statements given by the Materials Evaluation Committee in its Report in addition to the evaluations given by the author in the listings below. Even with two evaluations, the business education teacher needs to make his own decision as to the suitability of any given item for his class in his community.

#### *Use of the Pamphlets*

A number of items in the first group of selections from the 97 pamphlets should be obtained in class quantities. There is no problem in ordering about thirty copies of the selected items that are free. If they are not free, consideration will have to be given to their relative values. A reasonable cost should not be an obstacle in making materials available to the students.

Another group of selected items is recommended for ordering in quantities of at least three. One copy is needed by the teacher and two or more for the students to encourage individual oral and written reports or for group work on materials to be presented to the class.

The number of the pamphlet is the number given by the Materials Evaluation Committee.

#### *Suggestions For Class Quantity Orders*

The following items selected from the supplementary materials recommended by the Materials Evaluation Committee are suggested for acquisition in class quantities:

##### *Number 3—Natural Resource Use in Our Economy*

BB This excellent resource book on raw materials for use in a unit  
B on production is attractive with its short sentences and para-  
ABB graphs. It has understandable graphs, good coverage, clear  
E outlining. It is unprejudiced.  
BE(EG)

##### *Number 12—What Productivity Means To Each of Us*

BB The factors of production—tools, labor, management—are  
B dramatically displayed. Real wages and wage inflation are  
clarified. The role of government aid in production is missing.  
Difficult-to-understand terms are eliminated.

##### *Number 17—The Consumer's Dollar*

BB This 15-page Current Affairs Publication is available through  
ABB the Joint Council on Economic Education without charge ex-

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\*There is no symbol for the courses in typewriting, because it goes without saying that any of the pamphlets contain material that might be suitable for use in typewriting courses.

E           cept for postage and handling. It may be well to obtain it in  
BE(CP) class quantities for use by the students during a study period,  
with special attention to the pictures and charts.

**Number 30—*Profits At Work***

BB       Because a study of profits is omitted from basic business text-  
B       books, this pamphlet should be helpful in units on goals of  
ABB     business, investments, and/or taxes.

**Number 33—*How Everybody Makes A Living***

BB       This small 12-page pamphlet adapted from *Changing Times*,  
ABB     the Kiplinger Magazine, and based on *Introduction to Eco-*  
B       *nomic Reasoning* by Robinson, Morton and Calderwood, has  
drawings, charts, and tables that make the basic economic  
problem very understandable. It contains an easy explanation  
of GNP. A classroom set for general business would be highly  
desirable.

**Number 38—*Inflation: Its Causes and Effects***

BB       This seven-page pamphlet with its attractive cover quickly  
ABB     shows the business student that creeping inflation is quite a  
B       serious problem and needs the combined efforts of government,  
E       business, labor, and consumers to control. Such pamphlets  
taken home by students will alert parents to the necessity of  
teaching more economics in the schools.

**Number 44—*Money: Master or Servant***

BB       Most business education teachers will want this pamphlet  
B       (1960, second edition) in class quantities. The more difficult  
ABB     economic concepts of the role of money and banking are coun-  
E       terbalanced by the clever and colorful drawings.

**Number 47—*The Federal Reserve At Work***

BB       Business students of the past generally have not been interested  
B       in MEC Number 48. *The Federal Reserve System: Purposes*  
ABB     *and Functions*, a rather large pocket-size book on our banking  
E       system. It is good to have this (No. 47) more palatable report  
on the "Fed" from the Federal Reserve Bank of Richmond.  
This pamphlet not only reports on bank services, but shows how  
the FRS influences our economic activity, through monetary  
policy. Number 48 may be used as a reference book.

**Number 90—*Methods of Organizing Economic Activity in the  
United States and the Soviet Union***

ABB     Young people are interested in comparing the economic activity  
B       of the USSR and the US. They ask such questions as "Why do  
the Russians lead in the space race?" Although this pamphlet  
may be difficult for the average business education student, it  
may be quite useful with the help of an outline, a worksheet,  
and discussion in answering the many questions that arise.

### *Suggestions for Orders of Three or More Copies*

As stated above, a few copies of some of the publications recommended by the Materials Evaluation Committee will serve as supplementary reading and study by students with special talent or interest. The following items may be useful for this purpose:

#### **Number 1—*What Are Economic Problems?***

- ABB This primer of economics tells why economics should be studied in high school by all students. Members of a senior class without an economics textbook should have individual copies of this excellent booklet.

#### **Number 8—*Capital . . . Key To Progress***

- BB Although the copyright is 1952, the tables and statistics have been revised with 1960 figures. This pamphlet discusses capital as one of the factors of production. It would be useable in the units on consumer choice, investment, and the USSR economic system. Its discussion of depreciation allowances could supplement bookkeeping and accounting textbooks.
- B
- ABB

#### **Number 9—*Business and the American Way* (Same title listed as Number 23)**

- E This pamphlet may be purchased in its entirety or in two separate sections. Chapter or section headings are: "We Live in a Business Society," "Organizing and Running a Business," and part of "The Large Corporation and Society" in No. 9; "Big Business and Competition," "Relationships of Government and Business," and "American Business in A Changing World" in No. 23. These titles may seem to indicate that the contents would be very useful for business education, but they are so similar to the textbook materials in this field that the pamphlets are especially useful only in an economics class.

#### **Number 20—*Competitive Prices In Action***

- ABB Like the other pamphlets of the Basic Economics series published by the Industrial Relations Center, University of Chicago, this one is similar to a well-written chapter in an economics textbook. For the business teacher who wishes to introduce economics into his so-called non-economics class, one or more items of this series would be good material to put into the hands of his students. The Materials Evaluation Committee listed four:
- B

- Number 8 *Capital: Key To Progress*
- 20 *Competitive Prices In Action*
- 30 *Profits at Work*
- 45 *Understanding Money and Banking*

The full IRC series on Basic Economics includes seven additional booklets.



**Number 26—*Personal Distribution***

- ABB** Here step-by-step the rather unrealistic median income figure is  
**B** adjusted for class of worker, age, family formation, part-year  
**E** income, multiple workers, family size, taxes, etc. A study of  
this 14-page pamphlet will reveal how "figures do lie," or how  
difficult and important it is to interpret statistical averages  
correctly.

**Number 27—*America's Haves and Have Nots***

- ABB** Business classes need material from AFL-CIO as well as from  
**B** associations of owners of businesses. Critical thinking is needed  
**BL** on the four attacks on poverty suggested by labor. Charts should  
**E** be examined carefully. Numbers 26 and 27 may well be studied  
together, that is, compared. If only one is purchased, it should  
be Number 26.

**Number 28—*Prices, Profits, and Wages***

- ABB** This is one of a series of seventeen booklets issued by the  
**E** Chamber of Commerce of the U.S. This one and two others are  
recommended by the MEC:

**Number 34 *National Income and Its Distribution***

**Number 78 *Individual and Group Security***

Number 28 has been revised to show 1961 statistics; it con-  
tains informative tables and good illustrations.

**Number 29—*Wage Policy for an Expanding Economy***

- ABB** Again it is wise to balance this AFL-CIO pamphlet against one  
**E** on the same subject by an organization of business men. (See  
under Numbers 27 and 28 above.) A committee of good stu-  
dents should study both and report its appraisals to the class.

**Number 31—*Our Labor Force***

- BB** Every business education teacher should have this pamphlet.  
**ABB** He may use it for its glossary, its suggested student activities,  
**E** and its excellent summary of major labor legislation. It is use-  
ful also in certain adult education classes—even for persons  
preparing for the Certified Professional Secretary examination  
on business information and economics. The Materials Evalu-  
ation Committee also suggests these other CRI publications:

**Number 72 *International Economic Problems***

**Number 73 *World Trade***

Pamphlets on still other areas of economics are available from  
this source.

**Number 36—*Prosperity and Depression***

- ABB** This excerpt is only part of one chapter (6) in a textbook that  
**B** contains other useful materials for business education teachers.\*

\**Introduction to Economic Reasoning*, Robinson, Morton, and Calderwood.  
Washington, D.C.: The Brookings Institution, revised ed., 1959.

**E** For example, in Chapter 1 (pp. 20-23) there is a fine discussion of a procedure for teaching about or analyzing economic problems. The steps are summarized as follows:

- "1. Identify the problem and clarify the issues by studying their background and origin.
2. Identify the objectives and requirements that must be made in treating the problem.
3. Pose the alternative courses of action and analyze their consequences.
4. Appraise the alternatives and decide by determining how well each alternative fulfills the objectives and requirements."

Another example is the labor questions posed *passim* in Chapter 4 on "Labor and Unions." Discussions based on those questions will promote economic reasoning much needed in business education classes.

**Number 39—*Unemployment: Is Permanent Prevention Possible?***

**BB** If the local community is upset by unemployment, the business  
**ABB** education teacher may wish to refer to this 4-page guide for  
**B** discussion of unemployment and unemployment compensation, and for suggesting some ways to avoid unemployment and to view its effect on the economy.

**Number 41—*Economic Report of the President***

**Refer-** The 1962 edition was the first economic report of the Kennedy  
**ence** administration. In it President Kennedy reports the progress of  
**Book** 1961, and the goals and measures advocated by him for achieving them in 1962. The Report was developed by the Council of Economic Advisers, Walter W. Heller, Chairman. The chapters are: "Toward Full Recovery," "Economic Growth," "Balance of International Payments," "Price Behavior in a Free and Growing Economy." Appendix B has 100 pages of statistical tables relating to income, employment, and production.

**Number 43—*Money and Banking in the American Economy***

**E** Only in an academically talented class in economics could as much time be spent on money and banking as is offered in this unit by C-A-S-E. The publication may well serve as a guide for the teacher—for descriptive and explanatory information, discussion questions, and meanings of terms.

**Number 50—*Debt: Public and Private***

**ABB** This well-written pamphlet with its analysis of debt problems—  
**B** national, state, local, and private—provides good study material  
**E** for the senior class. The debt picture has been changing over the years and will continue to change. Here is an opportunity for business education teachers to show a new concept not discussed in current textbooks.

**Number 59—*State and Local Taxes and Federal Taxes***

**ABB** In this pamphlet selected information from two large 118-page

B handbooks has been reduced to 22 pages. With this, together  
E with a copy of the 1960 Bureau of Census Report and local materials found in its community, the class will obtain concepts on state and local taxes, which are seldom given any attention in a textbook.

**Number 60—*The Taxes We Pay***

BB This pamphlet contains pre-1960 figures for all levels of gov-  
B ernment. Tax information changes rapidly, and it is not easy to find current data in readily available form. Current local and state statistics usually have to be obtained from local sources. Most of the terms and understandings in this pamphlet will be found in business education textbooks.

**Number 70—*Individual and Group Security***

ABB Business students will be interested in these topics covered in the  
B pamphlet: financial assets of individuals, fringe payments, busi-  
E ness policies, and the controversy of whether government and/or business should provide individual and group security.

**Number 72—*International Economic Problems***

ABB This is another excellent pamphlet from the Curriculum Re-  
E sources, Inc. (CRI) series with clear statements and charts. Its glossary and suggested activities will provide fine bases for study of this always current economic problem. This pamphlet is preferred over Number 71, *America and the World Economy*.

**Number 79—*Economic Growth***

ABB This excerpt is from Chapter 8 of *Introduction to Economic*  
E *Reasoning* by Robinson, *et al.* As stated under Number 36, the business education teacher can well use a copy of the entire book. If the concepts seem difficult for his classes, he will be helped by the cases at the end of each chapter. One important aspect of the problem posed in Chapter 8 is: Should revenues be increased by raising tax rates for the high income brackets or by reducing personal exemptions?

**Number 86—*This Growing World: Economic Development and the World Bank***

BB Business students should know what this pamphlet can help  
ABB them to learn about the World Bank—about its loans to under-  
B developed countries to improve power service, transportation, etc. This topic is omitted from business textbooks at the high school level.

**Number 95—*The American Farmer In A Changing World and Agriculture's Technological Revolution***

ABB These excerpts constitute a "must" for use with all business stu-  
E dents in rural areas. Individual reports based on the pamphlet should be presented in city classes.

Number 96—*Labor and the American Way*

- BB At the end of each of the eight chapters of this booklet there is  
ABB a helpful list of "Things to Do." Business students need to study  
E the problems of organized labor. The booklet explains the 1959  
BL Landrum-Griffin Act, p. 82ff.

OTHER MATERIALS

*Suggestions for Quantity Orders of Other Booklet and Pamphlet Materials*

- BB *The Story of Checks*, Federal Reserve Bank of New York, New  
B York 45, New York. Free.  
ABB A picture book on checkbook money—how it all began, the  
BE(CP) Federal Reserve System, dollar switching, automation in bank-  
ing, glossary, how to write and endorse a check.
- BB *Consumer Reports*, Consumers Union, Mt. Vernon, New York,  
ABB 10¢ a copy in bulk subscriptions.  
E These contain monthly reports on testings of goods by Con-  
sumers Union; also articles on economics and the consumer,  
the consumer and the cost of health, the consumer and his  
government, etc.
- BB *Money Management*, series of booklets, Money Management  
ABB Institute, Household Finance Corporation, Prudential Plaza,  
E Chicago 1, Illinois. 15¢ a copy.  
BE(CP) Choose one or more items from the series for use in studying  
specific buying needs. The titles include: *Your Automobile  
Dollar, Your Health and Recreation Dollar, Your Shopping  
Dollar, Your Savings and Investment Dollar*, and others.
- BB Three booklets: *What Everybody Ought to Know About This  
ABB Stock and Bond Business, How To Invest in Stocks and Bonds,  
B Bayeux Tapestry Story*, available from Merrill Lynch, Pearce,  
E Fenner & Smith, Inc., 70 Pine Street, New York 5, New York,  
or from one of their local offices. Free.
- BB *Your Social Security*, U.S. Government Printing Office, Wash-  
ABB ington 25, D.C., or your local postoffice.  
B The January 1962-OASI-359 is a colorful book which replaces  
E the usual blue and white booklet which was issued anew each  
BE(S) time the law was amended.
- BB *Teaching Federal Income Taxes: General*, U.S. Treasury De-  
ABB partment, Internal Revenue Service, Washington, D.C., revised  
B October, 1960. Free.  
E This 78-page booklet for teachers contains the current Federal  
BE(T) Budget, the regular forms such as W2, 1040, 1040A, etc. neces-  
sary for income tax returns, and other useful information.



- BB      *Teaching Taxes—Student's Handbook—General*, U.S. Treasury Department, Internal Revenue Service, Washington, D.C.,  
 ABB      Pub. No. 21, revised October, 1961. Free.  
 B  
 E      This handbook for students contains materials similar to those  
 BE(S)      included in the booklet for teachers (see above).
- BB      *Annual Reports of a Corporation*. A corporation in your community will probably be able to provide a quantity of its most recent annual report after its stockholders have received copies.  
 ABB  
 B  
 E      A year-old report is better than none for studying special corporation problems such as research and development, foreign trade, the corporation and government, etc.

### *Suggestions for Other Materials*

These miscellaneous other materials are recommended as suitable for many business education classes.

1. *Road Maps of Industry*, National Industrial Conference Board, 460 Park Avenue, New York 22, New York.  
 These excellent charts (in colors) on wages, income, labor statistics, and many other economic subjects are issued at the rate of one each week. Free.
2. *Federal Trade Commission Reports*, Federal Trade Commission, Washington, D.C.  
 These reports may appear technical at first but many freshmen can benefit from them. The *Reports* are especially well suited for business law classes. Free.
3. *Business Trends and Progress*, distributed by the Ford Motor Company, Dearborn, Michigan; Waters Conley Company, Inc., Rochester, Minnesota; Cleveland Trust Company, Cleveland, Ohio; and others.  
 This is a free chart that shows many business statistics, but especially the variations in business activity (business cycles) over a period of more than 100 years. It can be subjected to a laminated process and preserved for a while.
4. A set of clippings of the columns by Sylvia Porter, or some other columnist who writes on economic subjects, may be collected from a daily newspaper over a period of time. When enough of the items have been collected, each member of the class may be given one to use as the basis for an oral or written classroom report.
5. *Business and Economic Education for the Academically Talented Student*, National Education Association and the United (National) Business Education Association, 1201 Sixteenth Street, N.W., Washington 6, D.C., 84 pages, \$1.00.  
 Shows why and how economic education should be taught to the more able students in order to prepare them for effective and functional decision-making and citizenship. Presents appropriate curriculum organization, materials, and teaching methods.